

10/2
1015-36A-

Managing Business-State Government Relations



ABOUT THE CONFERENCE BOARD

Founded in 1916, The Conference Board is a global network of leaders who exchange information on management, economic and public policy issues. Through international programs of research and meetings, the Board stimulates the sharing of executive experience among leaders in the public and private sectors and supports that process with independent, objective, pragmatic data and analyses. The Board shares its information with the public through news media and the educational community in the belief that a well-informed society is essential to the success of market economies and democratic systems. The Conference Board and its affiliate, The Conference Board of Canada, employ more than 350 men and women at offices in New York, Washington, Ottawa and Brussels. More than 4,000 organizations in over 50 nations participate in the Board's work as Associates. The Board is a not-for-profit corporation and the greatest share of its financial support comes from multinational business concerns. The Board also has many Associates among labor unions, colleges and universities, government agencies, libraries, and trade and professional associations.

The Conference Board, Inc.

845 Third Avenue
New York, New York 10022
(212) 759-0900
RCA International Telex
237282 and 234465

The Conference Board, Inc.

Avenue Louise, 207 - Bte 5
B-1050 Brussels, Belgium
(02) 640 62 40
Telex: 63635

The Conference Board, Inc.

Congressional Assistant Program
1755 Massachusetts Avenue, N.W.
Suite 324
Washington, D.C. 20036
(202) 483-0580

The Conference Board of Canada

25 McArthur Road
Suite 100
Ottawa, Ontario, K1L-6R3
(613) 746-1261

Conference Board Report No.838

Printed in U.S.A.

© 1983 THE CONFERENCE BOARD, INC.

ISBN No.: 0-8237-0278-2

Managing Business-State Government Relations

by Seymour Lusterman

A Research Report from The Conference Board

Contents

	<i>Page</i>
HIGHLIGHTS	vii
WHY THIS REPORT	xi
1. THE SETTING	1
Increased Legislative Activity	1
Difficulties in State-Government Relations	1
Regulatory Relations	3
The Outlook	3
2. GOALS AND STRATEGIES	4
Prevalence and Range of Company Programs	4
Top Management and Business-Government Relations	5
Issues	7
"Proactive" Strategies	9
The Political Process	10
Political Contributions	10
State and Federal Contributions	10
Reasons for Political Contributions Practices	12
Planning and Control	13
Strategic Planning	13
3. SHARED RESOURCES: GENERAL BUSINESS ORGANIZATIONS AND TRADE ASSOCIATIONS	15
Company Participation	15
General Business Organizations	15
Appraisals of General Business Organizations	16
Connecticut Business and Industry Association	17
Consensus Programs	17
Company Participation	18
Communications and Coordination	18
Political Action	18
Trade Associations	19
Appraisals of Trade Associations	19
Association Programs	20
American Petroleum Institute	20
Pharmaceutical Manufacturers Association	21
Chemical Manufacturers Association	22
The Society of The Plastics Industry, Inc.	23

4. COMPANY RESOURCES: STAFF AND MANAGERIAL.....	24
Human Resources Considerations	24
Top Management Roles	24
Professional Staff	25
Staffing History and Growth	25
Corporate and Divisional Staffs	26
Staff Characteristics	26
Local Participation	27
State and Federal	30
Grass-roots Systems	31
Developing Managerial Competence	31
5. ORGANIZATIONAL ARRANGEMENTS	34
Four Forms of Organization	34
Corporate Coordination and Support	34
Corporate Management and Control	35
Corporate Coordination, Support and Operations	37
Full Corporate Responsibility for Operations	39
Corporate Headquarters or Washington?	39
6. OPERATIONS	41
Information: Nature and Uses	41
Information: Sources	41
A Primary Source: State Governments	42
Business Sources: Organizations and Networks	42
Private Information Services	42
A Computerized Service	43
Information Files	45
Computerized Systems	46
Internal Communications	46
Assessments of Legislative Proposals	48
A Formal Assessment Process	48
Lobbying	49
Use of Outside Lobbyists	49
Bases of Employment	50
Choosing of Lobbyists	50

Tables

1. Current Company Practice with Regard to State Relations	4
2. States in Which Companies Have an Important Stake in Legislation and Regulation, by Type and Size of Company	5
3. States in Which Companies Seek an Impact on Legislation and Regulation, by Type of Company	6
4. Key Aspects of Responding Companies' Programs and Areas for Improvement	7
5. Key State Issues for Surveyed Companies, 1981-1982	8
6. Opinions of Effectiveness of General Business Organizations in the States, by Type and Size of Company	17
7. Opinions of Effectiveness of Trade Associations in the States, by Type and Size of Company	21
8. Prevalence of State Relations Specialists at Corporate or Divisional Levels ..	25
9. Organizational Levels at Which State Relations Specialists Are Employed ..	27

Charts

1. Proportion of Federal and State PAC Contributions Going to Candidates for State Office, 1980	12
2. Year Company Created State Relations Staff Function	26
3. Locations of State Relations Specialists	26
4. Time Spent by Plant Managers and Other Facilities Personnel on Federal and State Concerns	31
5. Use of Lobbyists, 1981-1982, by Number of State Relations Specialists	50

Exhibits

1. Three Grass-roots Programs	28
2. 1982 Objectives for Ralston Purina's Government Affairs Coordinators ...	30
3. Grass-roots Communications at PPG	32
4. The State Legislative Process	43
5. Philip Morris's GAMBIT	47

Appendix

SAMPLE JOB DESCRIPTIONS	53
American Can Company	53
Cities Service Oil and Gas Corporation	53
Honeywell Inc.	54
Jack Eckerd Corporation	55
McDermott, Inc.	56
Puget Power	57
Ralston Purina.	58

Highlights

LONG THE SPECIAL concern of only a limited number of businesses—their interest largely confined to regulatory matters—state-government relations has emerged in recent years as an organized and purposeful function at most large companies. Responding to unprecedented growth during the past decade and a half in the volume and impact of legislation affecting business activity, more than three-quarters of the companies taking part in this survey report that they engage in efforts to influence public policy in one or more states. Nearly half of these companies, and a much higher proportion of the largest among them, employ staff specialists who devote most or all of their time to state affairs. (Elsewhere, state relations is either a responsibility of corporate staff members having other primary duties—typically for public affairs, federal-government relations or legal affairs; or it is an occasional occupation of line managers and their staffs).

Growth of the Function

Seven out of ten companies with state-relations specialists have had them in their employ only since 1970; almost half, since 1975. Among those employing such professionals for at least several years, nearly two-thirds report recent growth in staff size.

State-relations efforts among companies with programs have expanded in other respects as well. More than two-fifths, for example, report increases in their use of private information and lobbying services, at least six times the number reporting decreases. Two-thirds indicate that each of the following has increased during the past few years:

- the amount of time devoted to state affairs by managers and others personnel at company facilities;
- the level of participation by company personnel in the legislative and regulatory activities of chambers of commerce, trade associations, and other business groups in the states;
- the share of total political action committee (PAC) dollars going to candidates for state (or state and local) office.

Goals and Strategies

The aim of state-relations programs, most participants assert, is simply to protect and advance company profitability. But some qualify this goal—either to exclude from it objectives that would interfere with “market mechanisms” or to include “public interest” considerations.

While many companies act defensively and reactively to events in the states, others have adopted “proactive” strategies. They aim to avert problems by influencing public opinion and knowledge; to anticipate issues and work with others toward acceptable resolutions; to encourage a federal role where appropriate; to develop the trust and respect of lawmakers and other state officials; and to influence the agendas and makeup of legislative bodies.

A majority of the surveyed companies are concerned only with issues arising in the states in which they have operations. Nearly half say they have important interests in only a single state and nearly half in fewer than five.

Shared Resources

Divergent interests, and differences in views about how businesses should act in the public-policy arena, combine to frustrate business cohesiveness on many issues—and sometimes create conflicts within companies. Enough issues are of common concern that general business organizations (like chambers of commerce) and trade associations serve as important state-government relations instrumentalities for most companies.

The programs of these groups are considered to be less than “reasonably effective” in most states—but, on the whole, to be improving. General business organizations are appraised most favorably by utilities; least so by insurance and retailing firms. But most firms in the latter two groups indicate approval of their trade associations’ programs. Except for industrials—particularly the largest ones—a majority of companies in each of the major business categories rate trade associations as “present and reasonably effective” in all, or most, of the states in which they are involved.

Sources

This report is based on . . .

(1) A variety of written materials—company plans, policy statements, job descriptions, organization charts and internal communications—as well as published articles and reports.

(2) Personal interviews with government-relations or public-affairs executives at trade associations and other organizations and firms involved in state affairs;

(3) A mailed questionnaire to which 253 companies responded. These firms are drawn from the largest companies in each of five major industry groups:

Industry Type	Number of Companies	
	Universe	Survey Respondents
Manufacturing (Fortune 1,000 firms less non manufacturing) . .	991	149
Utilities (publicly-traded gas and electric companies)	138	33
Banking (commercial banks with deposit income of \$300 million or more)	298	22
Insurance (property and casualty, and life insurance firms with premium income of \$100 million or more)	243	24
Retailing (firms with sales of \$50 million or more)	339	25

Company Resources

The principal participants in state-government relations activities are professional staff members and line managers and their designees. Larger firms are more likely than smaller ones to employ any state-relations professionals, a difference marked among industrials, retailing and insurance firms, but virtually absent among utilities. Where employed, they are present at the corporate level in 93 percent of the companies surveyed and at major divisional units in 23 percent; in 7 percent, staff exists only at the divisional level.

Line managers are expected to assume at least minimal responsibilities for state affairs in most firms. In only a small proportion, however, has management made this expectation explicit, or have measures been taken to follow through on it—a major deficiency, in the view of professionals responsible for the function.

The presence of state-relations personnel in a company is usually accompanied by a fuller exploitation of other resources, both internal and external. For example, companies having their own staffs are more likely to require managers of their facilities to assume state-relations responsibilities; to avail themselves of private information and lobbying services; and to take an active part in shaping the priorities and programs of general business organizations or trade associations. And the larger the staff, the more probable are these correlates.

Organizational Forms

The ways in which companies bring together staff at different levels and places with managerial resources are extremely diverse, a function of differences in their basic organizational structures, of the origins and history of state-relations activities, and many other factors. Viewed in terms of the role of corporate staff, however, four basic organizational arrangements can be distinguished:

“A”—The sole, or principal, function of corporate staff is to coordinate the essentially independent activities of divisional personnel and to provide them with support.

“B”—Corporate staff manages and directs all, or most, state-relations activities, working through and with divisional and plant personnel.

“C”—Corporate staff acts to coordinate and support operations where they exist but plays an operational role as well, serving as state-relations staff for divisions that lack such a resource, or taking responsibility for particular states or for certain issues in all states.

“D”—Corporate staff essentially takes full operational responsibility for the company's state relations.

Viewed historically, there has been a marked trend toward the creation or strengthening of corporate-level state relations units, as firms have sought to coordinate better the state-relations activities of product divisions

and ensure their conformity with corporate interests and goals.

Operations

State affairs comprises the functions of gathering information, assessing it in terms of company interests and goals, and planning and implementing appropriate actions. In connection with these, the study finds that . . .

- Nearly half of the surveyed companies supplement the internal, business and public information sources on which they draw by purchasing private information services.

- To efficiently process, store, retrieve, and analyze a large volume of state information, and relate it to other company goals, some companies are developing computerized systems.

- Some companies are systematizing their use of

technical experts—lawyers, engineers, and other staff specialists—in the assessment of issues.

- Nearly half of the companies surveyed employ lobbyists—their use apparently increasing as internal company resources also grow.

Internal Linkages and Support

Most (71 percent) of the executives responsible for state-government relations rate top-management's understanding and support of state-government relations activities and programs as "excellent" or "good." However, more than three-fifths of them rate each of the following as "poor" or "only average"—the manner or degree to which state legislative and regulatory considerations are tied into strategic or business-planning processes; the extent to which plant and other line managers participate in state-relations activities; the size of their company's staff of full-time and/or part-time state-relations professionals.

Why This Report

DURING RECENT YEARS, new laws and regulations affecting business have burgeoned at the state level. Firms that have long been regulated (and others touched only lightly in the past by state actions) have been confronting issues of unprecedented consequence for profits and managerial autonomy.

Corporate executives are paying more heed to the states for other reasons as well. Many believe that business must help state governments find acceptable ways to meet a growing burden of costs and regulatory tasks—some imposed by federal policies. Others consider it vital to company interests that the states in which they operate invest substantially in the restoration of the

infrastructure, as well as in improved educational systems.

The present study is a response to these growing business concerns. It is designed to guide and inform those who wish to play a more effective part in public-policy development in the states.

The Conference Board is grateful to the many company executives, and to the officials of business, trade and private groups, who shared their views and program information with us.

JAMES T. MILLS
President

Chapter 1

The Setting

STATE-GOVERNMENT AFFAIRS; once the concern of a few, has captured the attention and interest of top management in many of the nation's largest companies, and has become an important area of functional specialization, within a brief period. More than three quarters of the firms taking part in this study report that they participate in efforts to influence legislative or regulatory policy in one or more states—and nearly half employ some staff whose sole, or principal, duty is connected with this effort. Seven out of ten of the firms with state-relations specialists have created this function since 1970.

Increased Legislative Activity

These developments have been spurred by an unprecedented surge in legislative activity in the states. The number of bills introduced in state legislatures has more than doubled during the past decade and a half—leaving no aspect of business activities untouched. Employment practices, product design, production processes, and employer-community relations—as well as corporate earnings—have all been affected. Contributing to this legislative surge have been:

—Actions of the Federal Government during the late 1960's and early 1970's: first, the social legislation of the Johnson Administration, which imposed new administrative and control responsibilities on the states, and led to the creation of many new state agencies—each with an annual legislative agenda of its own; second, the General Revenue Sharing Program of the Nixon Administration, which provided the states with new funds, and legislators with the opportunity to decide how to spend them.

—The more recent actions of the Reagan Administration: budgetary cutbacks that have forced states to seek new sources of revenue; program curtailments and deregulatory actions that have prompted efforts in many states to restore all or part of the funds and programs that have been lost.

—Pressures throughout this period from voters and special-interest groups, as well as within legislative bodies, for legislation to deal with what have been perceived to be new or unmet needs in a variety of areas, ranging from clean air and water to product safety and employees' rights.

Difficulties in State-Government Relations

The problems of managing government relations are different in several notable respects at the state and federal levels. First, a company must pay heed to as many legislative bodies as the number of states in which it has interests of consequence. The volume of legislative proposals that must be followed is multiplied accordingly. A firm with interests in all states is likely to confront 16 to 17 times as many new state as federal bills during a legislative session. Second, a much larger proportion of these bills will become law: During the 1979-1980 session, for example, about seven times as many did. Finally, the legislative process is much speedier in the states, often—especially toward the end of a session—with as little as a week elapsing between the time a bill is introduced and it is signed by the governor.

Companies attempting to influence public policy in the states also confront a legislative environment that has become far more complex than in the past, and that demands greater resources. For example:

—Legislatures spend much more time in session. In 1960, only 18 state legislatures met annually; but by 1981 the number had increased to 43.¹ Most also now meet for longer periods of time, the same analysis shows.

The number of legislatures meeting for 100 days or more increased from 24 in 1964-1965 to 40 in 1979-1980. The number of legislatures providing for the pre-filing of

¹These data are from *State Line* (issue number 10), a monthly analysis of state-government affairs that State and Federal Inc., a private firm, prepares for its clients.

bills, and those in which committees meet before the start of the regular session and during recesses, also increased.

—A casualty of the "new politics," legislative leaders have lost much of their old power. The number of legislators within a state that have to be individually approached, informed and persuaded on any issue has, therefore, increased considerably. "Legislators get themselves elected and re-elected to office without benefit of party organization and are seldom beholden to legislative leaders," according to Alan Rosenthal, a leading scholar in the field.²

And a former legislative leader, now on the staff of a business organization, observes: "The new breed of state legislator is sensitive about interference from business, especially since the public outcry about pollution, waste disposal, and other issues. When business asks for something now it has to justify itself. Too many public affairs people still don't realize this. They expect legislators to be impressed by their company names. But these are different, independent people. They are not easily impressed."

—Adding to, and often multiplying, the number of individuals involved in the decision-making process is a legislative staff that has burgeoned during recent years. At last count, Rosenthal reports, California and New York had over 700 professionals employed full-time and year-round; Florida and Michigan each had over 500; and Pennsylvania and Texas more than 400. He says that legislators on committees place great reliance on them because their own "staffs are more specialized, more continuing, more focused, and less distracted by the many things that hit legislators from every conceivable direction." According to Rosenthal, again, staff people "collect, screen and analyze information"; they often "arbitrate conflicts and negotiate agreements among groups"; and some even "act as entrepreneurs for policies in which they strongly believe."

The Director of Public Affairs, Philip Morris USA, comments: "One currently widespread myth is that the New Federalism accounts for the burgeoning boardroom interest in state government affairs. President Reagan's New Federalism only put it on the front page. More substantive reasons include exponential increases in state revenue proposals and the growing professionalism of state legislatures and their collective staff (now over 15,000)—and, as a consequence, a fuller appreciation by management of the economic impact of this state activity."

—Inherent in these changes, observers of the state scene assert, has been an increase in the professionalism of many individual legislators, more of whom must now

devote full time to that job. And, as the quality and depth of their staffing has grown, there is a greater sophistication in the legislative bodies. Avon's Director of Government Affairs comments: "Especially in states like California and New York, with their big staffs, study groups and year-round sessions, but in others as well, state legislatures have become mini-Congresses."

—Through a number of organizations and informal networks, legislators and legislative staff learn far more quickly than they once could about new bills and legislative concepts originating in other states. Many companies try to keep abreast of developments in what they perceive to be "bellwether" states—out of the concern that certain measures they adopt may, in a "prairie-fire effect," quickly find sponsorship and support in their own states.

Model bills and legislative ideas are also developed and distributed by various organizations of state government—groups like the National Conference of State Legislatures and the National Governors' Association (see page)—making it easier for legislators to introduce new proposals.

—Businesses now compete for the attention and sympathetic understanding of legislators and legislative staff with a greater number and variety of interest groups than in the past. "Not finding a sympathetic ear in Washington during the past few years, these groups have moved to the states, where they sometimes do," a state-relations executive comments. Many of the interest groups are able to muster support of notable intensity and persistence among their adherents. Alan Rosenthal compares the "few groups" that merited consideration in the not too distant past—labor, business, agriculture and the AMA—with today's many: "...the public interest groups, like Common Cause; the groups of public officials, including those representing counties, cities and school boards; the so-called single-issue groups; the trade associations; the consumer and the environmental groups; the moral majorities, and the moral minorities as well. You name it, chances are it is organized. Most of these groups, including the traditional ones like labor and teachers, are no longer very tolerant. A public official is either with them or against them, and on every issue. This places far greater pressure on elected politicians than ever before."

Summing up, the Vice President for Government Relations at Pennzoil says: "State-government relations are becoming increasingly important—and increasingly difficult. They could be conducted at one time with 'a shake and a howdy.' But the quality of representatives has improved. They are smarter, abler, ambitious—and responsive to their constituents."

Exacerbating all of these difficulties is the fact that legislators are themselves not a necessary feature of the law-making process in about half the states. "Direct

²Alan Rosenthal, *The Changing Profile of State Government*. Address delivered to the Public Affairs Council's Lobbying Clinic on State Government, Washington, D.C., January 6, 1982.

democracy," in the form of the legislative initiative and referendum, is being exercised by the electorate with greater frequency and in more states than in the past—as exemplified by California's Proposition 13. Initiative and referendum actions affecting business cannot be dealt with in the same manner as legislative government relations, executives say. "Each calls for its own strategies," one comments.

Regulatory Relations

The focus of organized government-affairs activities at most companies—and of this study—is on the legislative aspects. But state regulation is also a present and growing concern—and "often more damaging than legislation," one executive notes. Most observers assume that deregulation at the federal level, the change in federal aid to the states from categorical to block grants, and the trend toward more legislation in the states, will accelerate the rate of new regulation by the states.

Numerous problems are mentioned in connection with the monitoring of regulatory developments and efforts to influence them—poor systems of notification by state agencies about proposals, hearings and promulgations; extremely speedy agency decisions; the great number of regulations and proposed changes; the technical nature of many of the regulations and the consequent difficulty of ascertaining their implications; and weak company leverage. "Even if you know about a hearing," one executive says, "the regulators don't have the same incentive as legislators to listen to you."

According to the Vice President of State Relations of the American Petroleum Institute: "Business has to pay more attention to helping those in the states who want to systematize the regulatory area. In some states there are no rules on how much notice a state agency has to give, on comments, and so on. A number of states have adopted the proposed Administrative Procedures Act in part or in whole. Business should work for its passage in others. In this effort it shares an interest with many others. To deal with the system there has to be a system."

Data-collection services are available in the regulatory area but do not appear to be widely used. "We tried to get regulatory data into our computer system for a time, but it proved to be too voluminous," one company explains.

In some companies—perhaps in most—matters

bearing on regulations are largely or entirely outside the purview of government-affairs staff—and are the responsibility, principally, of other staff groups at corporate and lower organizational levels, or of line management. A Union Carbide executive says, for example: "The energy, environmental and distribution people concentrate on regulatory matters themselves and rely on state-government relations for legislative matters. They may, however, use the state-government relations staff for some help—especially introductions to key people—and then fight their own regulatory battles."

How well do these parallel and decentralized systems work? Some companies think at least reasonably so. "Following state regulation issues is easier than following state legislation," McDermott's government affairs director says, "because most of our plants have designated a person to track compliance on those issues—usually clean air and water, and safety—that are important to them."

Olin Corporation's Vice President for State Relations says: "Since regulations cover a very wide area—transportation, financing, personnel, and so on—and vary from state to state, they have to be handled at the local level by key specialists in those fields. Using them, our operating people are pretty much on top of things." However, this Olin executive adds: "It is all reactive." And at Union Carbide, too, there is the concern that "we're not in control." The sense that managing regulatory relations is "elusive" and "too much to handle" seems fairly pervasive.

The Outlook

Surveyed executives tend to see the recent past as prologue. No more than a handful anticipate any lessening during the next year or so in the amount of time and attention their companies will have to devote to state affairs, and more than two-thirds expect it to increase. While they tend to be more cautious about the longer term, most appear to believe that the trend toward more government, toward the transfer of functions from the federal to state and local government, or both, will stimulate further growth in corporate state-affairs activity. Others, however, pointing to a recent ebbing of some pressures—as on "consumerism" issues, for example—are not so sure.

Chapter 2

Goals and Strategies

COMPANIES PLAN and organize state-relations programs as management becomes convinced, first, that state policymakers are addressing issues important to the firm's interests and goals; second, that the company can significantly influence either the public-policy agenda of the states, the way in which issues are resolved, or both; third, that the benefits to the company of pursuing its aims through the state political process are worth the costs. The forms these programs take in particular firms, however, do not simply mirror objective conditions. They reflect, too, management's views about the proper role of government in economic and social affairs and of business in the creation of public policy, and its judgments about desirable company strategies.

Prevalence and Range of Company Programs

In 22 percent of the companies responding to The Conference Board's survey, management has not been convinced that the firm should participate directly in any efforts to influence legislation or regulatory policy in any state (Table 1). By and large, these companies rely en-

tirely on their trade associations or other business organizations to represent their interests. A few say that they do not consider state affairs to be "a proper concern" of their company.

Certain types of firms are more likely than others to be among the nearly four out of five that do have state-relations programs. While all of the surveyed utilities and the largest banks assign personnel to this function, only about three-fifths of the second-ranking industrials and retailing firms do.

For most companies, the more pressing public-policy matters are bound up with their physical presence in the state. They are concerned with such issues as income tax rates, laws affecting plant closings, the public's right-to-know, clean air and water, hazardous-waste disposal, public roads, workers' compensation, education, and so on. Thus, most utilities and banks, as well as many other types of companies in this category, feel that they have important interests in only one or a few states (Table 2). Many firms judge, too, that they do not have an "important stake" in all the states in which they have operations.

Table 1: Current Company Practice with Regard to State Relations (253 companies)

Type and Size of Company		Number of Companies	Participate in Efforts to Influence Legislation and/or Regulatory Policy	Rely on Trade Associations and/or Others	Do not Consider Public Policy a Proper Concern
Manufacturing	Top 200	66	86%	14%	-
	Other	82	58	37	5
Utilities	Top 50	9	100	-	-
	Other	24	100	-	-
Retailing	Top 50	8	100	-	-
	Other	16	63	31	6
Banking	Top 50	4	100	-	-
	Other	20	85	15	-
Insurance	Top 50	13	77	23	-
	Other	11	82	18	-

Table 2: States in Which Companies Have an Important Stake in Legislation and Regulation, by Type and Size of Company

Type and Size of Company		Number of Companies	Number of States						Total
			One	2-4	5-9	10-19	20-49	50	
Manufacturing	Top 200	57	2%	9%	16%	47%	16%	9%	100% ^a
	Other	48	21	38	17	8	-	15	100 ^a
Utilities	Top 50	9	67	22	11	-	-	-	100
	Other	24	42	54	4	-	-	-	100
Retailing	Top 50	8	-	-	-	12	88	-	100
	Other	10	30	40	10	10	10	-	100
Banking	Top 50	4	50	-	50	-	-	-	100
	Other	17	63	18	13	6	-	-	100
Insurance	Top 50	10	10	-	-	30	50	10	100
	Other	9	11	11	11	44	22	-	100 ^a
Total		196	22%	24%	13%	21%	12%	7%	100 ^a

^aDetails do not add to 100% because of rounding.

Some, on the other hand, have important business interests in many states in which they do not have plants or other investments. Like some banks, they may wish to establish operations in additional states. Or they may have markets in other states that are vulnerable to certain kinds of legislation. Beer and soft drink companies, for example, are affected by one-way container laws; tobacco companies by restrictions on public use. Petroleum and alcoholic beverage firms, as well as soft drink and tobacco companies, may be concerned with special excise taxes.

The majority of participants in this study, however, indicate that the states in which they have important interests are fewer than those in which they have facilities. Moreover, they do not try to affect legislation or regulations in all of their "important" states. Twenty-two percent of surveyed companies with state-relations programs—nearly two-thirds of them utilities and banks—seek to affect public policy in only one state: 56 percent are active in fewer than five states. On the other hand, 14 percent, comprised mainly of the largest firms, try to have at least some impact on legislation or regulations in 20 or more states (Table 3 and box).

Top Management and Business-Government Relations

How a company behaves politically may depend not only on its circumstances but on the views of its top management about the nature of the business-government relationship—ideas that normally have the force of policy, whether formalized in company documents or conveyed to staff and operating personnel in more indirect ways. While almost all share a willingness to enter the political-legislative arena in

defense of important company interests, they may state somewhat different criteria and goals.

One group of policymakers—by all evidence the largest—holds that companies have the same rights as others in the body politic to look out for their interests. Many, in fact, see the democratic process as one in which public policy emerges, naturally and properly, from the conflict and interplay of special interests—each more or less assertive and effective in fighting for its aims. Their goal is to "advance the bottom line."

The government-relations director of a consumer goods company, who thinks that many chief executives do not state this criterion clearly enough, says: "My understanding with management is that the state-relations program should pay for itself—should, in fact, have a return on investment (ROI) better than the company as a whole. Issues are always appraised, to the extent possible, on a dollar-and-cents basis. This is the criterion for involvement, whether short-term or extended."¹ Other typical comments:

—"Anything that impinges on our business is fair game. The bottom line dictates our priorities."

—*A pharmaceutical company*

—"The sole reason for the state-government relations activity is to save the company as much money as possible."

—*A paper company*

¹At least one government-relations executive thinks that more rationality can be introduced into such judgments. He says: "Limited resources management concepts have not been applied to public affairs as yet. Using three criteria—unit volume, market share, and profitability—the importance of each state for each product can be quantified, rated and ranked. Thus, as issues arise in different states, there will be some quantitative criteria for determining the amount of resources to be allocated in each."

Table 3: States in Which Companies Seek an Impact on Legislation and Regulation, by Type and Size of Company

Type and Size of Company		Number of Companies	Number of States						Total
			One	2-4	5-9	10-19	20-49	50	
Manufacturing	Top 200	57	2%	20%	32%	18%	20%	7%	100% ^a
	Other	48	17	49	23	8	-	2	100 ^a
Utilities	Top 50	9	67	22	11	-	-	-	100
	Other	24	42	58	-	-	-	-	100
Retailing	Top 50	8	-	-	12	12	75	-	100 ^a
	Other	10	20	60	-	20	-	-	100
Banking	Top 50	4	100	-	-	-	-	-	100
	Other	17	71	18	6	6	-	-	100 ^a
Insurance	Top 50	10	10	-	20	40	30	-	100
	Other	9	-	67	11	-	11	11	100
Total		196	22%	34%	19%	12%	11%	3%	100 ^a

^aDetails do not add to 100% because of rounding.

—"The company's goal in state-government relations is to improve its profitability."

—*An industrial tool manufacturer*

—"A major goal of the state-relations activity is to oppose and battle any public-policy initiative that is inimical to company interests."

—*A tobacco company*

Many corporate policymakers, however, would modify the "bottom-line" criterion to accommodate other goals. One such is the principal that business has an obligation to resist and to minimize governmental interference with the market mechanism. A corollary for some is that companies should not use the public-policy process for competitive advantage or other private gain. A Sears Roebuck and Co. government affairs executive says, for example: "Some companies say there is too much government, but then try to use government for their own ends—try to legislate an economic edge. We mean it." Sear's chairman and CEO, Edward R. Telling, has publicly criticized various industries for fighting deregulation and seeking protection from free-market competition.

Others see a need at times to accommodate interests of business to those of the wider society. The head of state relations at a large multinational firm says, for example: "A company as big as ours must have a view of the world—a frame for reacting to specific legislation and legislative issues. Take taxation, for instance. We recognize and appreciate the need of the states for revenue, and are trying to develop a set of goals that will meet this real need but also allow for capital formation."

The president of a major consumer goods firm comments: "Somewhere in our minds is the concept of the public interest, which is different than the interests of particular groups." Other speak of "ethical considerations" and of "the importance of acquiring and

Concentration of Company Activities, by States, 1981-1982 (Ranked by Percent of Companies Mentioning Each)

California	41%	Colorado	14%
Ohio	33	Kentucky	14
New York	33	Oklahoma	12
Illinois	30	Iowa	11
Pennsylvania	30	Mississippi	11
Texas	30	Kansas	10
New Jersey	28	Delaware	9
Michigan	26	Arizona	8
Florida	24	Oregon	8
Indiana	22	New Mexico	8
North Carolina	22	Arkansas	9
Washington	22	New Hampshire	7
Massachusetts	20	Maine	6
Wisconsin	20	Rhode Island	6
Maryland	18	Utah	6
Georgia	18	Montana	5
Alabama	17	Nevada	4
Virginia	16	Wyoming	4
Tennessee	16	Nebraska	4
Louisiana	16	North Dakota	4
Minnesota	16	Vermont	3
Connecticut	15	Alaska	3
South Carolina	15	South Dakota	3
Missouri	15	Idaho	3
West Virginia	14	Hawaii	1

maintaining a socially decent image." And one in six of the surveyed companies say that they devoted significant time and effort in 1981 and 1982 to legislative or regulatory issues affecting education, health care, housing, youth programs, jobs for the disadvantaged, or other social issues.

Finally, there are some companies that seek to avoid or minimize involvement with state government. This may stem from considerations of prudence—concern that the achievement of desired public-policy objectives will be at too high a cost in unwanted public attention. “We think we’re better off keeping a low profile in our community,” one public affairs executive says. Others resist government relations on grounds of principal. A food company executive says, for example: “Our top management believes that corporations are chartered by government to engage in economic activities and have no business trying to influence public policy—unless substantial and measurable company interests are at stake.” A small proportion of the surveyed executives—fewer than 2 percent—said that their companies do not consider legislative or regulatory policy to be of proper concern to them at all.

Most of the executives taking part in this study believe that, whatever they may be, the goals of their top managements in state relations are clearly formulated and conveyed. Still, 14 percent identified this as an area in which improvement would benefit their companies most (Table 4).

Issues

State-relations programs also differ according to how much a company has at stake in the various legislative issues that arise—although this may ebb and flow with an issue’s life cycle—and how strong the forces for each alternative are. Individual issues may affect all businesses in a state, only one, or any number in between.

“As the number of issues increases and their complexity multiplies, the common denominator of business

Table 4: Key Aspects of Responding Companies’ Programs and Areas for Improvement

<i>Aspects of Company Programs</i>	<i>How Rated</i>				<i>Total</i>	<i>Proportion Identifying This as Area in which Improvement Would be Most Useful</i>
	<i>Excellent</i>	<i>Good</i>	<i>Average</i>	<i>Poor</i>		
• Clarity with which state-relations goals are formulated, and the degree to which they are understood by personnel involved in their implementation	27%	45%	22%	6%	100%	14%
• Process by which priorities and plans are developed and positions on state issues are determined	22	40	31	7	100	16
• Amount, timeliness and relevance of information coming into company on developments and conditions in the state. .	23	47	28	2	100	12
• Amount and kind of information stored in company files (paper and/or electronic) and readily available for use in interpreting developments and planning programs.	5	41	32	22	100	12
• Size of staff of full-time and/or part-time state-relations professionals	10	30	29	31	100	25
• Overall quality of state-relations professionals	42	39	14	5	100	2
• Extent to which plant and other line management participates in state-relations activities	5	28	51	16	100	26
• Extent to which corporate top management participates in state-relations activities ...	22	38	33	7	100	15
• Degree to which top management understands and supports state-government relations activities and programs	32	39	27	2	100	18
• Manner or degree to which state legislative and regulatory considerations are tied into strategic or business planning processes. .	7	32	42	19	100	33
• Manner or degree to which state-relations considerations or objectives are reflected in company’s internal and external communications	9	31	45	15	100	18

Base 196 companies with-state relations programs responding to this survey.

Table 5: Key State Issues for Surveyed Companies, 1981-1982

Types of Issues	Devoted Significant Time and Attention to Issue	Rank: Time and Attention Devoted		
		First	Second	Third
• Tax issues affecting <i>all businesses</i> : (examples: corporate income, unitary taxes, decoupling)	77%	30%	24%	17%
• Other issues affecting <i>all businesses</i> : (examples: right to know, corporate officer liability, plant closings)	60	5	16	19
• Tax issues affecting <i>certain industries</i> : (examples: gasoline, tobacco, alcoholic beverages)	48	14	17	6
• Other issues affecting <i>certain industries</i> : (examples: food labeling, drug formularies, banking and insurance laws, one-way containers, clean air and water, hazardous waste disposal, energy, transportation)	88	44	22	15
• Infrastructure and other facilities-related issues: (examples: roads, sewage, power, zoning)	34	2	4	7
• Issues affecting business indirectly: (examples: economic development, budgets, redistricting, regional councils, government organization, aid to cities, effects of block grants) . . .	38	a	4	8
• Social Issues: (examples: education, health, housing, job programs for disadvantaged, youth programs)	23	2	4	6

Base: 196 companies with state-relations programs.

^aLess than 1 percent.

interests is being driven down," a top executive with a consumer goods company says. Issues that are widely shared may be extremely important to some firms and less so to others. Thirty percent of companies surveyed in this study reported, for example, that their greatest concern during the 1981-1982 legislative session had been the issue of corporate taxes—income and other—that affect all businesses. But it was the narrower issues that occupied most of the interest and attention of the largest number of companies—many presumably satisfied that enough business effort was being addressed to the common issues in which they were also interested (Table 5). In the main, these issues were products of the environmental and consumer movement—issues of food labeling, drug formularies, one-way containers, clear air and water, and the transportation and storage of hazardous wastes; some, however, related only to the concerns of financial institutions. Various issues affecting particular industries are expected to move into relatively greater prominence in the near future—but so, also, are tax issues affecting all businesses.

An underlying theme in the fairly brief history of corporate state-government relations has been "conversion through crisis." In company after company, it was a dramatic event in one of the states that persuaded

management of the value and cost effectiveness of an institutionalized state-relations program. Almost without exception the event was the threat of legislation in an area specific to the company or to its industry segment.

Issues affecting business interests usually originate and draw their strength from elements outside the corporate community. But intercompany (and intracompany) interests may also collide, and in doing so influence the alignment of forces on either side of an issue. For example, the states have been a battleground between local banks and those aspiring to nationwide operations, between polluters and makers of environmental equipment, and so on. The state-affairs manager of a large chemical company says flatly: "If an essential fight is lost, the chances are that it is due to opponents within industry rather than to environmentalists and other interest groups that are usually ready to make a deal." To one executive taking part in this study such "fratricidal conflict" is "the most important state issue"—an aberration that can be overcome if companies have the will and are prepared to "settle for half a loaf" and "give up gain through legislative enactment." Most, however, seem to view some intraindustry strife as no less inevitable than the more common divergences of interests that lead companies to different priorities.

"Proactive" Strategies

As the function becomes institutionalized in a company, opportunity grows for anticipating events and entering early into the process of public policy formation—for being proactive as against being reactive. "We decided it was time to manage state relations rather than to be managed," says the chief executive officer of a utility that adopted its first formal state-relations plan in 1982, setting objectives in each of its several states for the next five years.

Proactivity takes many forms, and brings companies into the process of public-policy development at various stages or thresholds. To some executives, proactive management of state relations refers essentially to efforts to learn about legislative intentions or ideas and respond to them while in committee, or even under consideration by influential legislators. Others take a less defensive approach.

One such strategy in state affairs is to try to avert problems by influencing public knowledge and opinion on specific issues. Direct advertising in the press and on radio and TV is one means to this end. A number of companies also make systematic efforts to get information to editorial writers and reporters, and consider these media representatives important stops on the state-relations professional's beat. At least one company, Pfizer Inc., has an organized program through which dialogues and exchanges of information are cultivated with scholars, editors and other opinion-makers.²

A second strategy is to work with the state governments to find mutually acceptable ways of dealing with problems that are, should be, or will be, of concern to business. An insurance executive says: "We cannot overlook two major issues. One is the need of the states for revenues—a need that will increase across the board, especially as they tackle the costly and unavoidable job of replacing the infrastructure; the second is that the states' regulatory mechanisms will have to accelerate as more federal regulation is turned over to them. Corporate America must cope with these problems—must either help find the answers or be given them by legislation or regulation."

The common issue of revenues has many specific counterparts for particular companies and industries. The government-relations director of a manufacturing company for example, says: "The public's concern with the environment, and with the effects of plant closings, is legitimate. We have the choice of resisting all change—and, I think, losing out in the long run—or of working with legislatures for reasonable and affordable solutions." Well-known examples of this strategy as

carried out at the CEO level are the Minnesota Business Partnership (see box) and the California Roundtable, but similar groups have been formed in Pennsylvania and other states.

A third strategic approach is to encourage a federal role where this is appropriate. The theme of "please give us back our one-stop shopping" has become increasingly common in business circles, a tobacco executive says. Participants in this study suggest that "federal standards and jurisdictions do 'have their place'" and wonder whether "deregulation has not gone too far in some respects." To one, the key word is "ambivalence."

"We are worse off than before if we get the Federal Government off our backs only to have 50 states climb back on," a government relations director says. One "ambivalent" proponent of less federal government notes that while "the majority of states are more responsible toward business than the Federal Government, a number of them are a lot tougher." To another, the new federalism threatens still further multiplication of governmental jurisdictions as cities and counties move into the breach.

A fourth strategy is to develop the kinds of relationships with legislators and other state officials that

Statement of Purpose of the Minnesota Business Partnership

The Minnesota Business Partnership, Inc. is an association of corporate chief executives of Minnesota-based businesses who believe that those carrying that responsibility should take an active role not only in the continuing debate on public policy, but also in clarifying the underlying socio-economic issues. Members of MBP participate in public policymaking in Minnesota by:

- ☐ Examining issues affecting the economic and social health of the state, developing positions and/or action proposals reflecting sound economic and enlightened social principles, and actively communicating these positions and/or proposals to the public and its representatives in government.
- ☐ Encouraging chief executive officers to look beyond the parameters of their own industries and self-interest, and to aid in the support of basic principles, political, social, and economic, affecting the free enterprise system.
- ☐ Establishing procedures for business performance standards and self-discipline within the business community to minimize practices which erode public confidence.
- ☐ Encouraging appropriate business participation in working with government in meeting the long- and short-range needs of Minnesota and its citizens, and in enhancing Minnesota's quality of life.
- ☐ Encouraging established commercial associations and corporations to develop and advocate enlightened, innovative ideas responsible to emerging issues and socio-economic problems.

²See Seymour Lusterman, *Case Studies in the Public Affairs Function: Pfizer, Inc.*, The Conference Board, 1982, MISC. 82-2.

facilitate access when need arises, and that ensure attention and receptivity to company ideas and information. The strength of a company's line of communication with legislators, one executive says, depends in large measure on how much help it gives them especially in the form of "good, hard, reliable information." Another department manager suggests that a key difference in the state-relations programs of various companies is between those that take a "daily approach" and those that rely on "razzle-dazzle in crisis situations but at other times hide behind the pillars of capital rotundas." She describes the former as "a constant day-by-day, asking and answering of questions, and proving oneself to be a completely trustworthy source of information over a period of time."

In addition to contacts that occur in the course of efforts related to specific issues, others result from planned effort. Companies may be more or less assertive and inventive in this respect. The government-affairs director of one firm says that he and others on his staff systematically plan five-to-ten-minute visits with important legislators. "Our agenda may be nothing more than an exchange of pleasantries or gossip. The secret is to develop contacts—not so much with legislators as with the people who work for them and govern their schedules. You have to walk the halls and cultivate these people."

Companies like Avon, Pepsico and Philip Morris sponsor athletic tournaments and other events for political, as well as marketing, reasons. "They help us maintain an effective network of friends," Avon's director of government affairs says. "At a recent women's tennis tournament in Kansas City, for example, the governor presented our check to the winner. This was something they both liked."

"Pfizer Day" in New York, an observance of the company's one hundredth anniversary, blended media advertising with a reception attended by the governor and key legislators. A company executive cites this as an example of ongoing activities in key states even in the absence of current legislative issues.

The Political Process

Active participation in the process of electing legislators is regarded as a key proactive strategy in many companies with state-relations programs. Some activities stress the goal of promoting a legislative climate sympathetic to the business viewpoint: A government-relations executive at Sears says, for example: "The basic weight and emphasis of our program is in the political area, not the legislative or regulatory. Our aim is to ensure the election and reelection of people with a market view, rather than to concentrate on legislative efforts with those who happen to be in office."

To many, however, the main benefit of candidate support is in establishing or cementing relationships with particular elected officials. And where important interests are at stake, these support decisions may be highly pragmatic—"you might even say 'opportunistic,'" one state-relations executive remarks.

Political Contributions

The most common medium of company support for candidates for public office is money. Nearly half (48 percent) of the surveyed firms with state relations programs report that they contribute to candidates for state office in one or more states. Because they are prohibited in many states and hemmed in with restrictions in others, only about half of these firms make direct contributions. But almost all of them contribute through Political Action Committees (PAC's).

Among the slightly larger group of companies (52 percent) that engage in state relations activities but do not give money to state-office candidates, better than two in five have PAC's that support federal office seekers.

Central coordination and control of contributions is viewed as imperative in some companies. United Technologies, for example, has a national PAC, a state PAC in Connecticut (where it is headquartered, has major facilities, and is the largest employer), and another in California. It makes direct contributions as well. A company officer says: "All state plans are prepared by local management. They are submitted for corporate-level review by government relations and legal staff. This is to make sure that the amounts are appropriate and legal, and that there is a reasonable degree of consistency, as well as to bring together the whole picture for purposes of planning and review."

State and Federal Contributions

All but 6 percent of the companies making PAC contributions to state candidates during the 1980 election period did so for federal office seekers as well.³ Fewer than half gave the majority of their dollars to candidates for state office (Chart 1). However, nearly two-thirds report that candidates for state office have been getting an increasing share of PAC dollars in recent years, while only a handful say that the state portion is decreasing.

In 1980, state-office candidates claimed more than half of the PAC dollars of a majority of the utilities (57 percent) represented in this study, of an even greater proportion of the banks (80 percent), and of all insurance companies. However, only 18 percent of the manufacturing firms gave more than half of their PAC money to candidates at the state level.

³The questionnaire on which these data are based was mailed out shortly before the 1982 elections, so that 1980 was the most recent campaign period in which a major number of federal as well as state offices were at stake.

Working with National Organizations: The State Government Affairs Council

A number of national organizations provide vehicles through which many companies attempt to pursue proactive strategies. Some of the activities of such groups bear only peripherally on business interests in the states. (Some prominent firms, for example, helped the Council of State Planning Agencies several years ago in the design and conduct of a White House conference on the application of corporate strategic planning concepts to state government.) Other relationships appear to be more directly relevant to business concerns, as well as more sustained.

At the center of corporate efforts to work with state policymakers on a national scale is the State Government Affairs Council (SGAC). This coalition of business companies and associations has grown from an initial membership of 40 at the time of its founding in 1975 to 103 in April, 1983. Its mission: "to improve the effectiveness of state administrative, legislative and regulatory processes, policies and programs in order to promote informed and effective decision making in state government."

The National Conference of State Legislators (NCSL) and the National Governors Association (NGA), the two key organizations of state government leaders and policymakers, were created largely for these same purposes. It is principally through programs and projects conducted with these groups that SGAC pursues its goals.

- The National Conference of State Legislatures (NCSL) is made up, formally, of the legislatures of all the states and territories—in effect, of approximately 7,500 legislators and their staffs. Its basic objectives are "to improve the quality of and effectiveness of state legislatures; to assure state legislatures a strong, cohesive voice in the federal system; and to foster interstate communications and cooperation."

- The National Governors' Association (NGA) describes itself as "the instrument through which the nation's governors collectively influence the development and implementation of national policy and apply creative leadership to state problems."

SGAC's "initial and primary liaison" was with NCSL; its ties with NGA are more recent. SGAC holds its annual meetings in conjunction with the state groups, and has provided the funding for various discussions at both plenary and panel sessions of NCSL meetings. SGAC members provide NCSL and NGA committees with business information and viewpoints through a parallel committee structure; through special task forces or committees; and individually, when called upon for such help.

SGAC also offers two special programs: A Business Issues Speakers Service is designed to help the two state organizations, as well as other groups concerned about state matters, to identify business speakers for meetings or seminars on business-related issues. And SGAC, in cooperation with NCSL, has been conducting a Business Issues Seminar, which brings together business and state leaders for several days to examine issues of mutual concern. The first of these, held in the fall of 1981, dealt with state government and the business climate. The

second, a year later, considered the issue of employment and job training in the states.

In addition, SGAC has supported other projects of the two state organizations. It has arranged seminars on administration for legislative staff members, and provided funding for a quarterly State Opinion Report, based on data from a poll sponsored by the NGA's Center for Policy Research.

Corporate participants say it is not only through these formal SGAC programs that they gain the opportunity to influence the views and attitudes of legislators. Relationships growing out of them facilitate further contacts as issues arise in their states. SGAC also provides business members with the opportunity to get to know their peers in other companies, and to establish a basis for sharing information and ideas. The nurturing of such intercompany contacts was a planned feature of the first meeting that SGAC held for members-only in October, 1982. Earlier meetings had all been in conjunction with NCSL and NGA.

The American Legislative Exchange Council

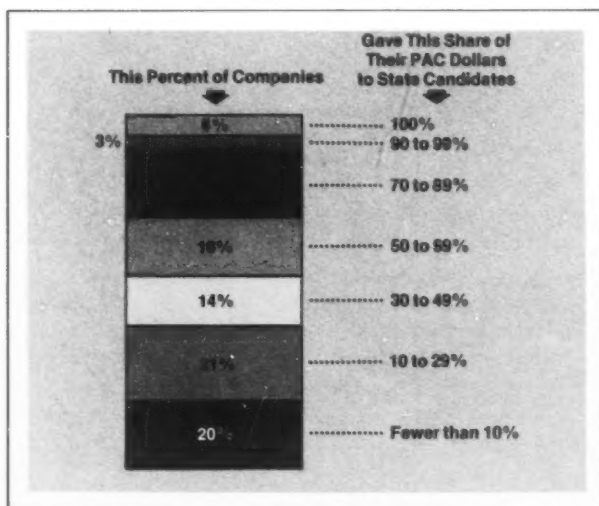
A large number of corporations (over 100 are identified in a recent "partial listing") constitute the principal financial backers of another organization that plays a public policy role at the state level—The American Legislative Exchange Council (ALEC). A nonprofit and bipartisan group founded in 1973, it is made up of more than 1,600 state legislators and members of Congress who, presumably sharing ALEC's perspective and goals, have joined it on an individual basis.

According to an official, ALEC's purpose is to establish "a network of communication between lawmakers who share a commitment to the principles of free enterprise, tax limitation, fiscal responsibility in government, traditional judicial and educational values, and the preservation of our federalist system of government." This goal is served in three ways. First, ALEC provides research and legislative analysis to state lawmakers. Second, it acts to link federal and state lawmakers and to promote dialogue between lawmakers and the business community. Finally, through various publications, conferences and seminars, ALEC serves as a forum for the exchange of ideas and information on current legislative and public-policy issues.

Over the years, ALEC has sponsored twenty-six national conferences, distributed five "Source Books" of model legislation, produced monographs and issued briefs on important legislative topics, and coordinated meetings between the state legislative leaders and members of Congress. In 1981, the White House conducted two Presidential and Cabinet briefings exclusively for ALEC legislators.

An ALEC brochure states that the scope and nature of its activities are best summed up in a statement by President Reagan: "ALEC has developed a fine reputation for designing creative alternatives to continued government growth. It assists conservative state legislators by exchanging innovative ideas, well-researched suggested legislation, fully documented information, and successful plans of action."

Chart 1: Proportion of Federal and State PAC Contributions Going to Candidates for State Office, 1980



Base: 80 Companies having state-relations programs and contributing PAC money to state candidates in 1980.

Reasons for Political Contributions Practices

Companies that do not contribute to candidates for state office often do not give money to candidates for federal office either, and for the same reasons. Some are skeptical about the long-term effectiveness of political contributions. "If you give to one side you may offend the one that may be in power tomorrow," one public-affairs executive comments.

Policymakers in some firms are said to have a lingering fear of scandal or eventual backlash, to consider "abuses" inevitable, or to regard political action as unsuited to business—contributing, one says, to "the balkanization of the political process." And many, a government affairs executive suggests, "just haven't put their minds to it, or made it anyone's responsibility."

Many companies that do not contribute to state candidates are not on the political sidelines. Nearly a third of the firms with PAC's contribute only to candidates for federal office. By and large, these companies are constrained by the belief that they will "dilute" or "weaken" the federal efforts by dividing limited funds between state and federal contests. There is also an unwillingness on the part of some to incur the administrative burden and costs of state PAC's. As one respondent puts it: "PAC's are a big organizing, accounting and compliance task."

Firms that do not contribute to state candidates themselves may support PAC's that do, it should be noted. A Virginia bank officer, for example, says: "My company, along with others, solicits for a trade

association's statewide PAC, though we do not have our own PAC."

Government-relations executives in companies that do contribute to state candidates are typically enthusiastic about the practice. To the great majority, PAC contributions in the states are "extremely important." One describes them as "the lubricant that makes everything run." "Legislators remember who supports them," says another. A regional manager in a state that has recently created a PAC says: "State legislators smile at me since we set it up."

Some also suggest that larger amounts of money are rarely needed (or expected) at the state level. One state-relations executive says that his company never gives more than \$200 to a candidate. A government-affairs vice president says: "Our contributions at the state level are extremely modest. They started a few years ago when we began to be deluged with requests, and are just a way to recognize senators and assemblymen where we have local plants."

Peers of these government-relations people in firms that do not make state-level contributions often share their appraisals, and question the wisdom of their own companies' policies. Thus, the state-relations director of a major manufacturing firm says about a recent top-management decision against creating a PAC: "We're playing with half a deck. You can provide information for a legislator for just so long. At some point he will say that he took your position, that it hurt him politically, and that he now needs your help. If you can't deliver it in financial aid, he'll shut the door in your face."

At another manufacturing firm with a PAC that does not contribute to state candidates, a similar sentiment was voiced by the Vice President for Government Relations: "Our state coordinators are sometimes so pressed for money for state candidates that they give \$20 or \$25 out of their own pockets."

In addition to facilitating the election of preferred candidates and promoting good relations between the company and individual office holders, PAC programs are said to bring secondary benefits. First, and most important, they draw managers into political activity and facilitate their participation. At International Paper, for example, a company that believes it has accommodated this end to a system of centralized control, a state-relations executive says: "Decisions about the allocation of PAC funds are made by a committee of fifteen people. But they are based on recommendations from plant managers and other contributors to the PAC program. These decisions must be signed off by the regional manager, who first checks back with the facilities. Heavy consultation with the local people not only avoids problems at the solicitation end but makes the PAC stronger and leads to more participation." Another government-relations executive observes: "Every time a plant manager delivers a contributions check, he has

established a connection that makes subsequent contacts easier: He has met the legislator and expects a reasonably good welcome next time."

PAC's are also seen as a means of broadening the base of grass-roots participation. A manufacturing firm that had restricted its PAC to top executives, has recently opened it to all exempt personnel for this reason.

Planning and Control

However proactive or reactive a company's program may be, at least a large measure of the concerns that occupy most of the time of state relations personnel cannot be anticipated. The annual plans of state-relations units are, therefore, not likely to be a sufficient basis for control and evaluation by higher levels of management.

In some companies, efforts to plan formally for state affairs are considered a waste of time. An oil company's state-relations director says: "We put as little in writing as possible; We don't have annual plans. We keep top management apprised of the status of bills we know are important to them, but do not bother them with all the details of what is going on."

Where they do exist, state-relations plans differ markedly in scope and specificity. Some consist of relatively unchanging elements—statements of strategies; descriptions of the responsibilities of the state-relations unit and of its relationships with other line and staff functions—and vary from year to year only in their summaries of completed activities. Other plans include specific goals for training, staffing, communications and other activities—and, sometimes, define legislative objectives.

On what basis, then, is top management able to evaluate the performance of the state-relations department? One way, of course, is from its direct observation of the unit's usefulness in bringing forward important information and grasping its significance; in perceiving emerging trends; in developing access to public figures and to private information and lobbying resources; and in its general ability to deal with problems.

Increasingly, too, those responsible for state relations are trying to provide management with quantitative criteria—dollars saved as a result of bills enacted, defeated or changed. Most of the executives who describe this process of evaluation acknowledge its questionable aspects. The director of state relations for a drug company says: "The difficulty is in judging how important your influence was. There are so many imponderables that affect legislative decisions and votes." Still, as an executive at a container manufacturing company asserts: "There are clear-cut instances several times a year in which the department more than covered its costs; therefore, it's clear to management that we are really a profit center."

To help management appraise its achievements and,

perhaps, add another voice to its claims, a drug company's unit has had the firm's market-research department evaluate the impact on sales of bills that would otherwise have passed, and the income generated by having a drug placed on a state formulary. "We don't overplay our hand, and claim credit where it's not clearly merited," says the company's state relations director.

Some company specialists say that not only are they innocent of exaggerated claims, but that they are unable to gain sufficient recognition for their unit's real contributions. One says: "We can't say \$3 million were saved last year, only that \$3 million of potential expense may have been averted."

It is unfortunate, some state-relations people say, that so much emphasis is placed on short-term results when the real key to effectiveness is long term. "Results are usually slow to materialize and difficult to record," according to an oil company executive: "They consist of such things as better understanding and attitudes, the quality of the contacts you have made, your role in strengthening the trade association's political effectiveness, and so on."

Strategic Planning

Management may be concerned with public-policy issues in the states not only to be able to influence their outcome, or to know about new taxes, laws and regulations with which they must comply, but also so that they may better plan their basic strategies. Although many see signs of improvement, more than half of the participants in this study rate the way and extent to which state legislative and regulatory considerations are tied into strategic planning processes in their companies as "poor" or only "average," (Table 00). "Strategic planning tends to involve the macro level and needs to recognize the potential impact of state government on the business more fully," a textile executive says.

According to another respondent: "If planning in a company is done well, the people who do it will come to government relations for information and help." For many, the key problem is that this does not happen often enough or in a systematic way. Several explanations are offered. One is that company planners undervalue the potential benefits to the firm of monitoring and understanding developments in the states. Planners are also said to underestimate the knowledge possessed by state-affairs personnel, and their ability to relate it to company concerns. A manufacturing executive comments: "People in planning often perceive themselves as the authorities on the external world. They see government-relations people as fire-fighters, lobbyists and bag carriers—in contrast to their role of study, analysis and model making."

A second problem is that state-relations people are not always apprised of contemplated company moves affecting their responsibilities. As an example, one state-

relations executive says: "Plans to establish company operations in certain states, and to enter into new activities in present ones, have been made without our knowledge. We are just beginning to look seriously at tying all this together in our strategic-planning processes."

However, events are said to be fostering change—"a maturation of the planning process," one executive calls it. A bank's state relations manager comments: "As new services and products evolve and competition intensifies, state-relations information is being sought after more and more by our planning group." At a paper company where planning is a largely decentralized operation—with no one formally in charge at the corporate level—the state-affairs director reports: "State-affairs personnel have demonstrated their worth to regional management and are participating in regional planning meetings for the first time." He is optimistic that his own participation in the planning processes of the company is imminent, and adds: "At a recent top-company meeting, an executive vice president told me that he was beginning to realize that it's possible to affect the outcome of legislation. This is important progress."

The vice president for government affairs at a leading bank reports similar change in his company: The strategic-planning department gets formal periodic inputs for its annual forecasts of the business environment, and occasional reports on larger term trends or specific issues, from his unit. State-affairs information and analyses from outside sources are passed on with other information to the strategic-planning department as these appear relevant, and informal exchanges of information and ideas are said to be increasing. "Relations between our two departments are evolving in a positive manner," this bank officer concludes.

Some participants suggest that the integration of strategic planning and state relations could be stimulated in various ways. One is by conscious efforts by the state-relations people to bring it about—"a responsibility" that at least one of those interviewed thinks is too often neglected. Another observes: "Smart companies try to get these two groups to work together in a matrix." He says that in addition to routine exchanges of information and reports, this company's planning and government-affairs people—state and federal—hold an annual day-long "brainstorming" session.

Chapter 3

Shared Resources: General Business Organizations and Trade Associations

INTERESTS THAT COMPANIES share in the states are served by an extensive network of business organizations. Two types are distinguished here—general business organizations, such as chambers of commerce and manufacturers' organizations that serve broad business constituencies, and trade associations. While the two share many concerns, the considerable differences that exist in their members' most important interests usually lead them to set quite different priorities.

To the degree that such organizations are effective in serving business interests in the state, they are an auxiliary state relations resource for member companies. First, they assume some of the burden of monitoring events in the states, developing information networks, planning and organizing campaigns, and lobbying. And they often employ private services to augment the efforts of their own personnel. Second, they inform, educate and stimulate activity among their constituents, and serve as organizing centers for lobbying campaigns. Insofar as they serve as surrogates, these organizations also make it possible for individual member companies to stay in the background during legislative battles, something they may wish to do either because they consider this to be the more prudent and effective way of gaining their ends, or in the interest of conserving their "political capital."

Company Participation

Line managers and staff specialists of many member companies also work with these organizations—often as members of boards, committees and task forces—to influence their policies and priorities, to help develop and implement their programs, and to improve their general effectiveness. Almost all of the firms with state-relations programs report that personnel in at least some of the states in which they have facilities are actively involved in the legislative or regulatory efforts of general business organizations. Well over half say that this is true only in

some or "few" of their states. Most companies also assert that the level of participation by company personnel in the legislative and regulatory work of these general business organizations has not increased during recent years. While companies can look to general business organizations for at least a modest government-relations role in most states, trade association representation may be absent at the state level for certain products.

However, companies studied report somewhat more extensive participation in the government-relations activities of trade associations than of general business organizations. Many more of them also say that there has been a marked increase in the level at which company personnel have been active in trade association work.

A number of the executives surveyed urge companies to raise the quality of their representation with business groups in the states. One says: "Trade associations are frequently populated with tired executives whom the corporations cannot or will not retire. If better delegations were named, the quality of the associations would improve."

General Business Organizations

Chambers of commerce and manufacturers' associations exist side by side in about two-thirds of the states; organizations created by mergers of the two types—occurring mainly during the late 1960's and early 1970's—are present in the others. The full-time staffs of these bodies range from two or three to over forty. Some are organized according to business groupings (banking, retailing, manufacturing, and so on); others on an issue-committee basis; still others in a combination of the two types.

State chambers of commerce have what a spokesman for one of them describes as a "loose connection" with the Chamber of Commerce of the United States, which

may call on them for help with federal issues and alerts them to problems that may arise out of federal actions. A similar role is played by the State Associations Group of the National Association of Manufacturers. Information exchange among manufacturers' associations on state matters is facilitated by the Conference of State Manufacturers Association, which brings members together at an annual national meeting, and several regional ones, each year.

Appraisals of General Business Organizations

Respondents from companies with multistate interests agree that the resources and quality of the general business organizations vary considerably from state to state—as does their effectiveness in serving the government-relations concerns of their members. While respondents say that these organizations have, in general, improved during recent years, only two in five—and these principally from companies with interests in only one or a few states—consider them to be “reasonably effective” in “all or most” of their important states (Table 6).

Companies in the same industry appear to have similar experiences and tend to make like judgments. Utilities appraise the general business organizations most favorably. Insurance companies, in strong contrast, judge that few of them serve their companies' interests effectively. A large proportion of retailing firms also give the general business organizations a lower-than-average overall rating.

The performance of these organizations—their effectiveness in dealing with shared or common business interests and, thus, in allowing companies to concentrate their resources on special ones—is, understandably, a matter of wide and strong interest among surveyed firms. What kinds of change would those who are critical like to see?

A few reject the possibility of change. Because the constituencies of general business organizations are so broad and wide-ranging, they say that policies and program are often hard to formulate, and agreement can rarely be reached. If the result of such divergent interests is not ineffectiveness or paralysis, some say, it is domination of the organization by the largest, strongest, or most politically adroit, groups. Large industrials and retailers complain particularly of isolation and the neglect of their interests by what one calls “a small, closed group at the policy level.” The top government-relations executive at a large manufacturing firm says: “The Chamber of Commerce has to serve two masters, ‘mom and pop’ businesses and major industrial companies. It can’t.”

A more common view, however, is that the potential is present in the general business organizations for more

effective political representation of business interests than they are providing.

•**Goals:** One thread running through participants' comments is the view that general business organizations have not been—and are still not sufficiently committed to a state government-relations role. A sizable group calls on them for greater emphasis in the political area, both in planning and actions; for “more involvement”; “more time and effort”; “more lobbying”; “more activity.”

To the extent that general business organizations in the states are politically active, many participants believe they often pursue goals that are obsolete, unenlightened and out of the main stream.

“Chambers of commerce have to free themselves from polarizing positions that historically have alienated potential allies and prevented broader political support on key issues,” one executive says. Another comments: “The legislative focus of most business groups is too narrow. Their overreaction to some concerns is causing bad internal ‘vibes’ for business.” Others urge that these groups try to be less hidebound, less wedded to the status quo, less “knee jerk” on issues, and readier to work with government and public-interest groups to deal with social and economic problems. One participant faults what he calls an “anti-consumer attitude.”

•**Strategies:** Some of the executives surveyed call for what one terms “a proactive rather than a wholly defensive stance.” To most, this means giving more attention to the political process, and particularly to PAC's. “If you can't change the representative's attitude, change the representative,” one says.

•**Organization and Staffing:** More and better staff, and structures that provide for broader constituent participation, are proposed by many. One need, they say, is for personnel who understand “the system,” are experienced, have professionalism and background in government relations, and are dynamic.

It is also believed that additional staff is needed for increased legislative contact, to improve monitoring and research capabilities, and to draw in and coordinate the activities of new member companies. Additional committees and other organizational means of recognizing the interests of specific industries are also recommended.

•**Planning:** Some participants fault the programs of these organizations for being too broad and trying to cover too much ground. They call for a more sharply focused legislative agenda. “Chambers of Commerce should establish annual legislative priorities, and concentrate financial and staff resources on them,” one executive says.

•**Information:** “The biggest weakness” of the general business organizations, a government relations director says, is “inadequate and incorrect information.” Others echo this theme. “Better issues research is needed and a more comprehensive policy mechanism, with studied attention to early issue identification.”

Table 6: Opinions of Effectiveness of General Business Organizations in the States, by Type and Size of Company

Type and Size of Company		Number of Companies	Number of States in which They Are Present and "Reasonably Effective"				Total
			All or Most	Some	Few	None	
Manufacturing	Top 250	57	29%	54%	16%	- ^a	100%
	Other	48	52	38	8	2	100
Utilities	Top 50	9	67	33	-	-	100
	Other	24	70	17	9	4	100
Retailing	Top 50	8	-	43	57	-	100
	Other	10	20	50	30	-	100
Banking	Top 50	4	100	-	-	-	100
	Other	17	47	33	20	-	100
Insurance	Top 50	10	22	11	67	-	100
	Other	9	14	43	43	-	100
Total		196	40%	40%	18%	2%	100

^aDetails do not add to 100% because of rounding.

Some also stress the importance of making the information widely known to the organizations' affiliates. Communications by chambers of commerce on proposed or pending legislation of interest to business, various participants say, must be more frequent, of higher quality, better targeted, more accurate.

•**Operations:** Some executives think that the major weakness of the general business organizations in their states is their failure to organize a broad base of business participation in government affairs. It is said that member companies need to be educated and "politicized"—provided with workshops on how to communicate effectively with legislators, and encouraged to participate in the political process. Increased efforts should be made to involve more small- and middle-size companies and, generally, to stimulate wider grass-roots activity on a more regular basis.

Other suggestions are made about operations. One executive wants more reliance on assertive, issue-oriented arguments, and less on "good old boy" networks. Another calls for closer collaboration between the state Chamber of Commerce and trade associations. Still another asks for more attention to the executive branch and the governor's office.

Connecticut Business and Industry Association

How a general business organization can function in state-government affairs is illustrated by the Connecticut Business and Industry Association (CBIA), a state group that appears to enjoy the esteem of its corporate constituency. "It is surely among the best," says the government-relations head of a major Connecticut-based firm. CBIA came into being in 1971 as a merger of the state chamber of commerce and the state manufacturers' organization. Its staff includes six lobbyists, a three-person communications department that is responsible

for media relations, a monthly journal, *CBIA News*, and a planning and research unit. The lobbyists—five of them attorneys—spend full time at the capitol during the legislative session.

CBIA has about 6,000 members. Dues are assessed on the basis of members' payrolls in the state, and range from a minimum of \$100 to a maximum of \$15,000.

According to the bylaws, the organization's board of 50 (48 of them CEO's) must reflect the variety of industry types and of the locations of members. The full board meets four or five times a year, establishing policies and deciding on programs and priorities. An executive committee sits between board meetings and has the power to act for the board.

Consensus Programs

How does CBIA thread its way through the varying interests of its constituency in setting its programs and priorities? "There are enough issues around to keep us busy," CBIA's General Counsel and Treasurer says. "You need a consensus to be effective on an issue."

Central to the development of CBIA's legislative program is a series of regional meetings that are held six times a year in each of the state's six congressional districts. The first is held in February to discuss budget issues and early committee actions. In April, the end of the committee deadline, the regional meeting considers bills that are still left on the floor. The June meeting is a review of what happened during the legislative session just concluded. Several fall meetings are devoted to a substantial overview of emerging issues and seek input on the members' concerns. During election years, candidates for the General Assembly are invited to attend.

Following the Fall meetings, CBIA sends a proposed legislative agenda to its membership for comment—an agenda that, according to the spokesman, "consists of

things we want to achieve in the coming year." The final program goals are approved by the board in December.

When controversial or potentially divisive issues arise unexpectedly, staff will either call an executive committee meeting or talk to its members individually. "It is critical that staff has the flexibility to negotiate," CBIA's General Counsel says. "Amendments that totally change a bill can be made on the floor in the Connecticut House. This can occur only minutes before the bill is voted on. You need leeway to make your own judgments. Staff must fill in the blanks on policy in a way that conforms to the board's requirements."

Company Participation

As the priority issues—usually six to ten—emerge from the planning process, member companies are asked to designate someone to act as a resource and contact on each. These designees comprise a pool from which CBIA staff may draw the personnel for special or ad hoc committees as they may be needed.

In the Summer of 1982, for example, one such committee was working on the issue of Connecticut's budget, regarded as the biggest issue looming for the coming legislative session. A second group was developing proposals for workers' compensation reform—an area in which the Association planned to initiate legislation. A third ad hoc committee was concerned with an issue that CBIA's General Counsel calls "the environmental issue of the 1980's"—hazardous waste. "We have moved away from standing committees, but this one comes close to being one, although it is issue based."

The company-designated issues people are also a source of technical help—a route to company expertise—and a medium through which the Association and many of its member companies can exchange information about programs and plans. According to the same CBIA official: "A lot of time is spent on the phone, and very little of it is for courtesy calls."

Communications and Coordination

CBIA has developed more formal communications media as well. In addition to the monthly *CBIA News*, there is a weekly publication of about six to eight pages, the *General Assembly Report*, that is put out during the legislative session. A detailed accounting of CBIA's legislative activities during the week, the *Report* is written, printed and mailed on Friday. It goes to legislators (who, it is said, find it one of the best sources of information available to them about activities of the various committees) as well as to members' and associates, and is normally available to readers by Monday morning. The report is prepared from material submitted by CBIA's lobbyists, each of whom is responsible for a particular subject area.

Monday mornings are also the occasion for regular meetings of the subject areas' key business lobbyists, held under CBIA auspices. With representatives from banking, insurance and other trade groups, from local and regional manufacturers' associations and chambers of commerce, and from some corporations, these meetings typically have about 20 participants. They are regarded by CBIA and corporate participants as a vital element of the business lobbying activity in the state—opportunities for the exchange of information, and for companies or groups playing a leading role on an issue to head off potential conflicts in a private setting and to solicit and coordinate assistance. CBIA also has a toll-free phone number on which members can hear a recording alerting them to the day's key issue and the action it requires, or for telling them about coming events.

CBIA has a computerized system that makes it possible to pinpoint the proper recipients of mailings on specific issues. Once or twice a session, CBIA is likely to call on all of its members and urge them to communicate with their representatives—a "hot-line" approach that is effected through a pyramid of contacts. "Its underpinning is the understanding of issues that members have obtained through our educational efforts, and through the prior contacts they have made with their legislators."

The various kinds of communication through which CBIA often seeks to influence a wider audience than its own membership include media advertising—sometimes used to present information and views about particular issues to the public. CBIA's General Counsel suggests that such advertising is particularly effective and cost efficient in Connecticut. He notes that: "A single radio station in Hartford gets excellent coverage at a reasonable price." TV and newspaper advertising are also used. Eleven percent of the membership dues to CBIA goes to a "public awareness" account.

Political Action

CBIA engages in various forms of political activity. Through a Political Action Committee, it makes non-partisan endorsements of candidates for state office (normally in late August or early September) and contributes "modest" sums of \$150 to \$400 to the campaigns of state legislative candidates.

CBIA's policymakers believe that today's critical issues are too complex for candidates' views to be elicited satisfactorily by questionnaires, a method widely in use elsewhere. "Rather, an attempt is made to understand the basic attitude and philosophy of the candidate," the General Counsel says. Nonincumbents are invited to visit CBIA's offices to discuss the issues with its staff.

In addition to the Fall meetings CBIA holds in each of the six regions, the Association publishes a series of

election reports. These deal with key issues, party platforms, the voting records of incumbents, and CBIA's endorsements.

Trade Associations

However strong and helpful to their members the general business organizations may be, certain issues—quite frequently the most important ones—will inevitably be addressed only by trade associations; other issues may find these two groups in opposing camps. A particular industry trade association's presence in the states may be through a *national* organization that has state programs or through *state* associations, many of the latter with ties to, or drawing supportive services from, national groups.

There is no way of knowing how many trade associations the large companies represented in this study belong to. While only one or several of them may be of major importance, individual firms number their memberships in the scores—even in the hundreds. The 1983 edition of the *Encyclopedia of Associations*, which does not include state groups, identifies 3,344 “trade, business and commercial organizations.” Most of them appear to have only embryonic state-affairs programs—if they have any—and some are prohibited by charter from acting in the states.

But the events that have led their member companies further into state affairs have not left the associations untouched. Industry groups, like the Chemical Manufacturers Association and the Pharmaceutical Manufacturers Association, have created state-affairs programs in recent years. Life insurance companies have formed new state-relations groups in about a dozen states. Gas and electric company professionals in a number of eastern states formed an ad hoc state-affairs group in 1978, and their counterparts in the Rocky Mountain and Pacific states followed suit. Along with such new groups and programs has come some “beefing up” of existing ones.

Associations are also said to be working together more closely and effectively than in the past “sharing information more and collaborating on plans,” according to one company executive. A trade association official says: “We meet at least twice a year now with the other trade associations that share our concerns, and are constantly in telephone contact.” Some groups, like the Edison Electric Institute (which recently added a person to its staff principally for the purpose), are trying to establish closer relations with such organizations as the National Governors’ Association and the National Conference of State Legislatures.

Appraisals of Trade Associations

Although the constituents of trade associations are far less diverse in character and interests than are those of the

general business organizations, they are not homogeneous. Competition among them for the attention and resources of their organizations is by no means unknown, nor are disappointments and complaints. The complaints come from opposite directions—from those who feel that the associations do not pay enough attention to the most vital issues in trying to reconcile or accommodate the interests of a broad membership, and from those who complain that larger companies, or “cliques” with narrow interests dominate these organizations.

But the frustration that so many express over what they regard as the failure of general business organizations to address the important issues is considerably less evident in comments about the trade associations (see box), and there seems no disposition to regard the situation as beyond improvement or repair.

Some emphasize the vital role they see for associations, while others caution about their limitations. In the first instance, for example, one government-affairs executive says: “To begin to counter the pressures of Nader offsprings like the Public Interest Research Group, which puts on fantastic telephone, writing and telegraphing campaigns, business has to work in coalitions. Trade

Benefits of a Trade Association Membership

In 1974, the seven utilities serving that state created the Energy Association of New York, a new trade group. Its affairs are managed by an executive committee made up of the chief executives of the seven firms, an administrative committee of their government-relations heads, and a full-time staff of seven. The Manager of State Relations at Consolidated Edison Company of New York offers this itemization—“not necessarily in order of importance”—of the benefits of membership in this organization.

- “It establishes a network of people who have contacts throughout the state with legislators and other top people. Each company is able to get the ear of legislators who are outside its service area.

- “It provides company lobbyists with an office. We used to work out of a motel, or the back seats of our cars. The importance of this should not be minimized.

- “It provides the extra lobbying impact that comes from being able to present an industry position—evidence of agreement among the companies affected.

- “It has involved more companies than before, and galvanized their CEO’s. A different CEO heads the executive committee each year, and so has a year’s exposure to the nuts and bolts of the Albany lobbying operation.

“All this is in addition to the benefit we get from the work done by its staff—the studies; monitoring, educating and informing legislators; organizing and lobbying.”

associations are the start. They are the only way you can put together a broad-based campaign financially. Without them, we'd lose on every issue."

"You have to be realistic about trade associations," another executive says. Speaking of the program of his national association, he adds: "There are some states in which it's absolutely necessary to use it because it is the only game in town. But the association has limited resources, and is trying to coordinate activities with thirty companies—some with aggressive programs; some that just send a person to meetings to take notes."

A number of participants call on national trade associations to give greater heed to state affairs. Questioning "whether we are getting value for dollars spent with them," one executive says that "concerns outside of Washington need to get more of their attention." Others urge that the trade associations "place more emphasis on state and local issues," "provide their state programs with more funding," and so on.

Rarely mentioned in connection with the general business organizations, but prominent among suggestions for trade associations, is the request for more attention to "coalition building." Otherwise, the kinds of change thought to be needed to improve trade-association effectiveness are similar to—in many cases identical with—those indicated for the general business organizations (see box).

These two types of business organizations are rated as "present and reasonably effective" in all or most states in similar ratios by manufacturing firms, utilities and banks. Retailing and insurance firms, however, few of which placed the general business organizations in this category, do so in large numbers for their trade associations (Table 7).

Association Programs

As suggested by the several case illustrations below (all of which are drawn from the industrial sector), trade-association programs bearing on state affairs have developed in a kind of counterpoint to those of member companies—anticipating them in some cases, following in others. Association programs, like those of member companies, range widely in scope and character—a function, too, of such variables as needs, resources and managerial foresight.

One association employs well over 100 professionals in state relations, while another has a single executive who divides his time between federal, state and local government affairs. One, buying data from a computerized monitoring service, which it then distills and transmits, is the principal source of information for most of its members. A second serves as the medium through which member companies may jointly purchase such a service at an advantageous rate. A third depends on its own

View From the Other Side

Leaders of business organizations have their own catalogs of complaints about member companies. They are probably summed up in this comment by a senior staff person at one of the commerce and industry groups:

"The best companies are those that are independently active—that make an effort to know local legislators and that communicate with them. Our greatest frustrations are with companies that tie themselves up in their own bureaucracies—with people who need to check with legal, Public Affairs, the President, or someone else when a vote is coming up, say, in the labor committee on industrial hostage legislation, and a fast response is needed. The problem arises principally with larger companies that are newcomers to state-government relations: It is least common in regulated industries. And, of course, there are the companies that will never go out front, but let the association do it all."

membership for most of its information about developments in the states.

One association has full-time lobbying staff in all state capitols. Another hires counsel, as needed. And still another leaves all lobbying to member companies.

American Petroleum Institute

The petroleum industry appears to have more resources committed to state relations than any other. Its trade associations give it a year-round presence in 44 state capitols. The American Petroleum Institute (API) covers 34 of them, with full-time people in each. Several regional and state groups—the Rocky Mountain, Mid-Continent, Alaska, and New Mexico Oil and Gas Associations—have full-time staff in ten others. Groups of companies maintain legislative counsel in the six not covered by trade associations.

API's activities, in each of the 34 states in which it is present, are managed through State Petroleum Councils. Staffed by Association personnel, the Councils deal directly with legislators, other public officials, and the media in presenting industry views, and attempt to organize the participation of member firms.

These state councils are grouped into three regions, which report to the senior state government-relations policy committee (General Committee of State Relations). Each council has a government-relations committee and serves as API's key mechanism for developing strategies; for devising plans and resources; and for determining company roles in connection with public-policy efforts in the states. The Association's Vice President of State Government Relations notes that most member companies are organized along regional lines

Table 7: Opinions of Effectiveness of Trade Associations in the States, by Type and Size of Company

Type and Size of Company		Number of Companies	Number of States in which They Are Present and "Reasonably Effective"				Total
			All or Most	Some	Few	None	
Manufacturing	Top 250	57	29%	56%	13%	2%	100%
	Other	48	46	39	13	- ^a	100
Utilities	Top 50	9	71	14	14	- ^a	100
	Other	24	73	18	9	-	100
Retailing	Top 50	8	75	25	-	-	100
	Other	10	60	40	-	-	100
Banking	Top 50	4	100	-	-	-	100
	Other	17	53	40	7	-	100
Insurance	Top 50	10	70	20	10	-	100
	Other	9	50	38	12	-	100
Total		196	49%	40%	11%	*	100

^aLess than 1 percent.

and, "although this is not the main criterion, they try to take the API's structure into account in their own organizations."

In addition to API's regional and state field staff, there are five state-affairs professionals at headquarters in Washington. The Vice President of State Government Relations says: "They are like traffic cops, serving as links between the Washington headquarters and the field in tax, marketing, transportation and other areas. Each of the five has a portfolio of areas of responsibility, and works with the API staff and technical committees. By attending the meetings of technical committees, and keeping in close touch with the field organizations, they keep each other informed."

Several national committees serve the Association in technical areas, and a system is in place under which member companies assume "lead" responsibilities with respect to each. The "lead company" identifies specialists who may be called upon for consultation, testimony or other service by API's staff in each of the states. The Association's field people, in turn, keep these specialists informed about developments.

State relations became an organized and staffed function at API during the 1930's in response to various motor-fuel tax issues. "Member companies did not become involved in a concerted way with their own state government-relations operations until the mid-1960's," API's Vice President of Government Relations says. "As they did, they built their programs on a foundation laid by the Association." This foundation, he says, benefits API members in several ways.

•"It provides a full-time, 365-days-a-year, focus on each state and its processes—an understanding of who the players are and what is going on. It is thus a source of information, perhaps better than any other industry has.

Things can be followed when they are still in an embryonic state.

•"It provides and represents a focal point—a rallying point—at which companies in the industry can respond. API staff people serve as quarterbacks or coordinators. Their job is to help organize the industry response, whether through direct testimony or working with third-party groups. API staff plays a direct role, plus an increasingly important one in coordinating the efforts of industry people.

•"Its presence assures early coverage of precedent-setting legislation or regulation. This is a big advantage. In some other industries, laws may be enacted in a few states before the companies most affected become fully aware of them and have a chance to respond.

•"By taking advantage of the varying areas of technical expertise at different member companies, API allows the industry to respond to issues on a cost-effective basis—especially in the regulatory areas."

Pharmaceutical Manufacturers Association

The Program of the Pharmaceutical Manufacturers Association (PMA) contrasts strongly with API's in longevity, size and means. It began in the early 1970's, when two staff attorneys were assigned responsibility for monitoring generic drug issues and for taking what action they could. As staff grew to its present seven—a Director of State Government Relations; four Regional Directors; a Director of Legislative Services (who puts out a weekly newsletter and otherwise handles state information services); and a research assistant—increased stress was placed on government-relations experience. None of the seven is a lawyer; all have had experience in both state government, health-policy development, or both.

Association policies on issues affecting the industry—federal and state—are determined by the board. PMA

staff also works with a State Government Affairs Committee, consisting of 45 members, most of them corporate staff people responsible for government affairs, but also some legal and marketing staff. A subcommittee of this group, acting as a steering committee, is the staff's main source of day-to-day counsel from members on strategies and priorities. Positions are also determined periodically by polling member companies. State staff is assisted in data development by PMA's Office of Policy Analysis.

PMA's four regional directors are responsible for managing task forces that have been created in eight regions. Each includes 25 or 30 member-company representatives. The task forces include chairmen for each of the states in the region. Task-force membership tends to be divided about equally between full-time state relations staff people—said by a PMA official to be the "critical" segment—and district sales managers or other marketing personnel, "who are also useful, especially in developing contacts." (PMA also retains state counsel in eight states, and hires it as needed in several others.)

"The task force is the action arm of the state-government program," PMA's Director of State Government Affairs says: "The difference between PMA and many other trade associations is in the degree to which our relationship with member companies is results-oriented. We don't just exchange information; we develop and implement strategies. When an issue arises, the PMA regional director will call a meeting in the area. In addition to developing strategies, specific assignments are made for implementation. Some get lobbying assignments; some go to allied groups to line up their support; some develop resources. It is up to PMA to develop testimony, information resources, and 'point papers' to help people talk one-on-one with legislators."

The task forces meet as needed, which is normally 12 to 15 times a year. But twice a year, whether or not needed for developing strategies, there are regional meetings devoted to planning and to briefings by experts on current and emerging issues.

Emphasis has been given in the past few years to increasing the awareness and understanding of the industry among those who shape state policy. Briefings on its economics and its research and development activities have been held in about 12 priority states for selected legislators and consumer representatives.

Chemical Manufacturers Association

Much more recent than either of those described above is the state affairs program of the Chemical Manufacturers Association, which came into formal being in June, 1981, with the addition to the CMA staff of a Director of State Affairs. Shortly before, Government-relations people at a number of companies organized a Chemical Industry State Affairs Group. Its members had

met informally about once a month to exchange information and to develop a system for more efficient and effective intraindustry monitoring, information exchange, and lobbying. The concerns of this group became the priorities of the new CMA state-affairs unit and its members the core of a 38-person State Affairs Special Committee (SASC) that was created to advise and work with CMA's state-affairs staff.

Guided by a survey of the Association's membership, which was conducted shortly after SASC was formed, "issues task groups" were created around four priority concerns: the right-to-know issue; hazardous waste transportation; the environment (air and water); and hazardous-waste disposal. Each group is charged with developing positions and plans for addressing the problems in its area of concern, in association with the CMA technical staff. An Assistant Director and a Manager of State Issues serve as staff to the issues task groups and are also responsible for "engendering the development of policies as needed."

Two "functional" task groups were also formed, and assigned to develop a computerized monitoring program (see pages 43 and 45) and a system for delivering CMA information to the field and retrieving information from the field for dissemination and distribution by CMA. For the second, or "networking," aspect, Chemical Industry Councils (CIC's) were created in states important to the industries. Fifteen existed as of mid-1983, and the number is growing. A fourth staff member, whose title is Coordinator, State Affairs, has responsibility for developing this network—as well as for developing a data base on state matters and for preparing *State Affairs Report*, a newsletter.

The CIC's vary in structure and sophistication from state to state, and may be tied to other business organizations, according to CMA's state-affairs executive. "In Tennessee, for example, the CIC exists as a Chemical Committee of the state manufacturers' association. In New Jersey, one operates under the State Chamber of Commerce. It is a separate entity in Michigan."

The CIC's have other functions than information exchange, this official explains: "The four issues groups of SASC deal not with the small segments of an issue as they arise in a particular state, but with broad questions of policy. CIC's provide the industry with the opportunity to formulate positions at the state level and to have an organized single voice."

The programs of CIC's extend to areas beyond government affairs in some states, and are expected to do so increasingly in all. They have two other functions, according to CMA's state-relations director. "One is educational—to encourage young people to enter the field of chemistry, to reward outstanding teaching, and so on. The other is to provide the public with a better understanding of the industry. In these programs, the

state CIC's parallel those of the national organization."

"Legislators don't want carpetbaggers in their states," CMA's Director of State Affairs says. The Association itself does no lobbying. This executive describes his group's function as "basically to provide monitoring and political analysis, and to deliver to the states a coordinated industry approach on issues." This definition embraces CMA's work with the various task groups, the printed material it prepares, liaison activities with other associations and with such groups as the National Governors' Association, and its help to other Association services. It also includes a program of workshops for state-affairs and technical personnel of member companies—a program designed to help them understand and influence the writing of regulations; and to adapt to and comply with them in specific areas. One has dealt with water standards, for example, and another with siting.

The Society of The Plastics Industry, Inc.

The state-affairs program of the Society of the Plastics Industry (SPI) has the smallest staff of this group of manufacturers' associations, and includes no formal industry organizations within the states. It is managed by the Society's Director of Government Affairs who is staff director of SPI's Public Affairs committee and the State Government Relations Committees.

The Society's state-relations program is organized around an "SPI Support System," the heart of which is a state-resources file (organized in loose-leaf books). The file is based upon data derived from periodic "political audits," conducted by questionnaire, of SPI's 1,400 member firms. It includes information from these companies about:

- Their "government relations structure": the names of persons to whom "legislative responsibility is assigned," and to whom SPI "should address action requests"; the organizations and associations that provide member companies with legislative information; the particular states in which they have "taken an active interest in state legislation" and those in which "outside counsel" has been used.

- The companies "support capability": the locations within the various states of company facilities; the "type" of facility each is; and information about who, if anyone, is able to "provide legislative hearing witnesses, or deliver a statement of position, if requested to do so."

- Their "internal support capability": whether their records include an "international inventory" of relationships of company personnel to legislators and officials; whether they have "ever mobilized active support of suppliers to assist legislative proposals"; or maintain a central listing of all their state chambers of commerce and manufacturers and trade associations; and other ways they might "aid" SPI programs.

- Their "government contacts": the names and titles of elected and appointed state officials who are "known personally" to company personnel.

Information is sent to members in a monthly *Legislative Bulletin*—a state-by-state report on the status of all issues of concern to them, and a *Friday Wrap-Up*, devoted exclusively to "plastic packaging challenges" in the states. The basic source for these reports is a private computerized monitoring service. The *Friday Wrap-Up*, the more recently started report, has been issued since 1978. It is prepared by the Director of Government Affairs and an assistant on Friday of each week from data that have accumulated at a terminal located in the SPI offices, and mailed out the same day. "I'm in daily contact with company people anyway," the Director of Government Affairs says, "but this report saves hundreds of phone calls."

Companies often take independent action on the legislative proposals described in these reports. But SPI may hire lobbyists when important issues arise, and may initiate the organization of industry task forces within a state—and help in their work. "The plastics industry is small enough for me to know to whom to go," the Director of Government Relations says.

This executive observes further that the "true" plastics companies are small processors: "The principal interests of the larger companies, many of which have their own lobbying operations, is usually with other products." For example, a major concern of a chemical company is with hazardous wastes.

Chapter 4

Company Resources: Staff and Managerial

CORPORATE MANAGEMENT'S growing concern with state relations has been reflected organizationally in a proliferation of new units devoted to that function, and in addition to staff at many companies. Efforts have also been made at some firms to plan, organize and coordinate the participation in state affairs of managers and staff at local facilities. The rate at which such change has been occurring in their companies is considered unsatisfactory, however, by many of the executives with staff responsibility for the state-relations function (Table 4, page 7).

Human Resources Considerations

Decisions about a company's commitment of human resources to state relations—in both staff and line personnel—depend upon such considerations as the number of states in which the firm has important interests, the magnitude of these interests, and the degree of reliance that can be placed on trade associations and other business groups that represent company interests. How much of its human-resources investment is in professional staff—at the corporate level, at divisions, and at plants—how much is in the part-time participation of managers and other personnel of operating units, and how the responsibilities of state relations are divided among these resources, reflect, in turn, such factors as the following:

History: Did the company's state relations function originate within one or more of its divisions, as an outgrowth of a corporate-level federal relations unit, or by virtue of an acquisition?

Opportunity for local participation: How many plants and other facilities does the company have, and how many are large enough to be politically important in their states?

Geographic patterns of divisional interests: How often do the important interests of different divisions of the company tend to be in the same states, in nearby states, or in distant states.

Management's approach to organization: Is the company's structure based on strong corporate-level control, or on decentralized decision making and operational autonomy?

Top Management Roles

Top management, which establishes the scope, character, policies and internal environment of a company's state-relations function, may also participate in it in various ways, none of them unique. Like others in the company, top executives talk with the media, meet with government officials and legislators, testify, join outside committees and organizations (through planned and controlled programs, in some companies), take part in state-relations workshops, and so on. What is special about the participation of these executives in state affairs is their special access to prominent individuals and the media, and the wider public attention they are likely to achieve.

Most responding executives give their top managements better-than-passing grades for their understanding and support of state-relations programs and for their participation in them (Table 4, page 7). Such approval is expressed even by many who note deficiencies in important aspects of their companies' programs.

Still, a fair number are critical. They say that their chief executives have not yet grasped the importance of the state-relations function, with penalties that may range from "grossly inadequate staffing" to "internal roadblocks and political game playing." Others feel that the glamor of Washington leads their top executives to overvalue national issues—one calls it "the Rose Garden Syndrome"—or that such issues as U.S. trade policy conform better to their self-images than most of the issues that arise in the states.

On the other hand, one state-relations director says: "You can't play the big chips too often." He observes that a sensitive part of the government-relations jobs, is to make judgments about when to warn or encourage top executives to become involved, and when to have the

confidence not to bother them. In either event, a government-relations vice president comments: "It is important to have instant access to top management and to be able to get very quick action."

Professional Staff

Not all companies that engage in state-relations activities employ specialized staff for that function. Twelve percent of them do not assign responsibility for state relations to anyone in the organization. Activities in such firms are carried out on an ad hoc basis by staff specialists and line managers as issues bearing on their responsibilities arise.

Another 27 percent assign state-relations responsibilities to persons with other primary staff duties. More often than not these duties are closely allied to state affairs—predominantly public affairs, and federal government relations. However, state affairs is also often a responsibility of legal or marketing personnel, and is found in staff functions as varied as planning, administration, human resources, environmental affairs, research and development, and investor relations.

The senior government-affairs executive at one food products company that has no specialized state-relations staff describes the state-relations process this way: "I review information about the states as it comes in from the trade associations. Fortunately, they do a good job of pre-screening, or I would have a hard time keeping up. I forward pertinent information to those most affected—principally the legal staff of the various divisions—sending copies, of course, to the divisions' presidents. From that point on I assume the local people are handling things. Occasionally, they come back to me for help—like drafting a letter and getting a divisional president to sign it."

Staff positions, devoted solely or mainly to state relations, are present in 60 percent of the companies that

identify themselves as having state relations programs (Table 8). Larger firms are more likely to employ such specialists than smaller ones—a difference less marked among utilities than among other industry groups.

In more than two-thirds of the companies with state-relations units, the staff consists of three persons or less; in two-fifths of the cases only one person is assigned. A few firms have large state-relations staffs. One has forty-three, for example; five report twenty or more. Overall, eleven of the surveyed firms employ more than ten people. All of the firms with more than ten state-relations people are industrials, and all are near the top of the FORTUNE 500 list. There were four petroleum and three chemical companies in this group. While none of the surveyed utilities employ as many state-relations specialists as the top manufacturing firms, some of them do have between six and ten persons whose sole (or principal) duties are in this area. In none of the other classes of surveyed companies was there more than five.

Direct and immediate responsibility for state relations in firms having full-time professional staff is vested in a "director" or "manager" in all but a few cases, with the former title somewhat more common. One company in the survey has a vice president in that job. Half of these state-relations heads report to an executive whose responsibilities embrace government relations and other public-affairs functions. Most of the others report to a government-relations executive. A few report to persons with senior administrative, legal or finance responsibilities.

Staffing History and Growth

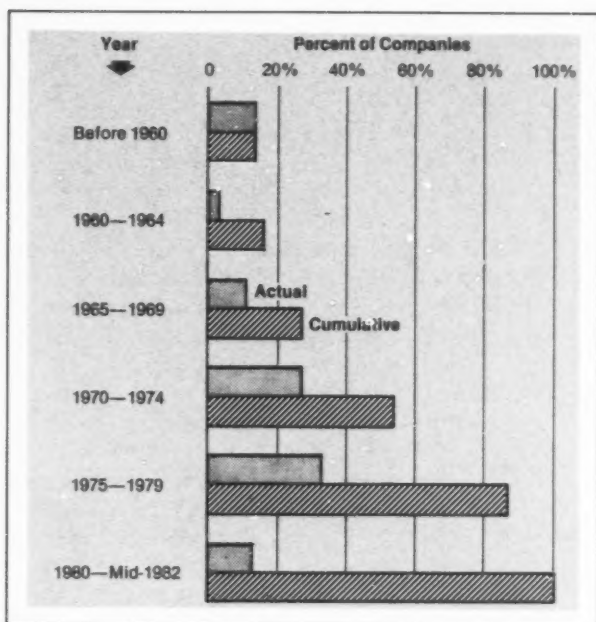
The recency with which state relations has become an area of staff specialization is striking. In nearly half of the surveyed companies the function has existed since 1975; in three-quarters, since 1970 (Chart 2).

Utilities are the only one of the five major industry

Table 8: Prevalence of State Relations Specialists at Corporate or Divisional Levels

Type and Size of Company		Number of Companies	Have No State Relations Specialists	Have State Relations Specialists					Total
				Number on Staff:					
				1	2-3	4-5	6-10	Over 10	
Manufacturing	Top 200	57	19%	14%	23%	15%	10%	19%	81%
	Other	48	75	18	7	-	-	-	25
Utilities	Top 50	9	-	44	34	-	22	-	100
	Other	24	13	20	42	21	4	-	87
Retailing	Top 50	8	25	37	25	13	-	-	75
	Other	10	60	40	-	-	-	-	40
Banking	Top 50	4	-	100	-	-	-	-	100
	Other	17	47	36	11	6	-	-	53
Insurance	Top 50	10	20	20	30	30	-	-	80
	Other	9	78	22	-	-	-	-	22
Total		196	40%	24%	17%	9%	5%	5%	60%

Chart 2: Year Company Created State Relations Function



Note: Among 77 surveyed companies reporting a State-relations program but no staff devoting all or part time to state relations, five say they had had such a function at some time in the past. Three gave it up in 1981 or 1982, perhaps temporarily for budgetary reasons. Two discontinued the function in earlier years—one in 1964 and the other in 1972—on the basis on reappraisals by new management.

groups in which state-relations specialists were at all common in earlier years: they comprise half of all companies reporting such staff prior to 1964. But even in this group 62 percent of the surveyed firms did not staff a state-relations function until 1964 or later, and in 21 percent it has only been since 1977.

Most of the more recent state-relations units in surveyed firms—those established after 1970—are still staffed by one person. A majority of the larger ones have grown since their creation, and many may have become larger only recently. About half the companies with four or more specialists report that “marked” increases in staff size have occurred during recent years.

Twenty-four percent of the respondents indicate that their companies’ state-relations staffs have increased markedly in size during the past few years, and another 38 percent that it has increased somewhat. Only a few report that it has decreased, with about a third indicating that staff size has not changed significantly in that period.

Corporate and Divisional Staffs

Companies have increased staff in order to strengthen their representation in state capitols, their research and analysis capabilities, and their internal liaison and communications. In many, the primary goal has been to

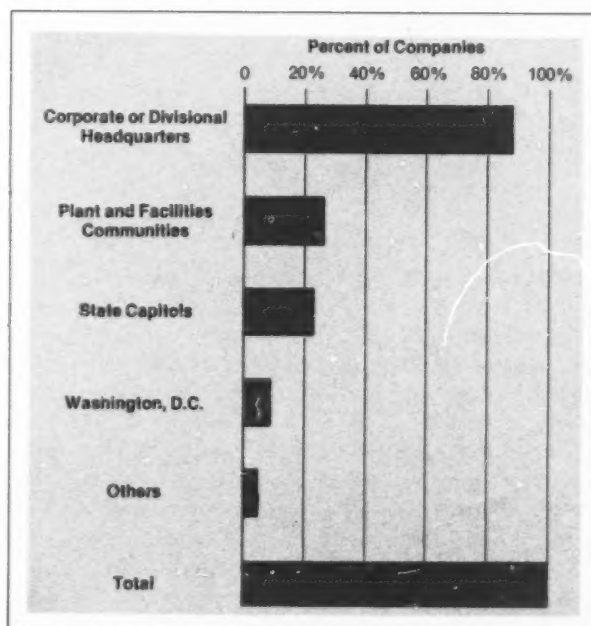
enhance the role of corporate-level management in state affairs. In many firms, state-relations units first developed at larger plants or divisions, not at the corporate level; others came with acquisitions. Whatever the history, more and more companies are creating or strengthening corporate-level units so as better to review, coordinate and assist the efforts of operating units, and to provide a measure of direction and control to activities in the field.

In 76 percent of surveyed companies, state relations specialists are employed only on corporate staff, in 7 percent only within divisional organizations such as groups, divisions or subsidiaries, and in 17 percent at both levels (Table 9). They are not always located at the headquarters of these organizational units, however (Chart 3). Divisional level state-relations staff is found primarily among the largest manufacturing firms, although several utilities and one retailing firm reported such units. About 40 percent of the top 250 manufacturing firms employ state-affairs specialists in one or more of their divisional organizations. (Among the top 50 firms, the proportion is well over half.)

Staff Characteristics

State-government relations has been described as “an exceptionally demanding staff job.” According to one executive, it requires its practitioners to “keep abreast at

Chart 3: Locations of State-Relations Specialists



Base: 123 companies with state relations specialists
Totals add to more than 100 percent because of multiple answers

Table 9: Organizational Levels at which State Relations Specialists Are Employed

Type and Size of Company		Number of Companies	Corporate Level Only	Divisional Level Only	Both	Total
Manufacturing	Top 250	46	61%	7%	32%	100%
	Other	12	100	-	-	100
Utilities	Top 50	9	78	11	11	100
	Other	21	76	10	4	100
Retailing	Top 50	6	100	-	-	100
	Other	4	75	25	-	100
Banking	Top 50	4	100	-	-	100
	Other	9	100	-	-	100
Insurance	Top 50	8	100	-	-	100
	Other	2	100	-	-	100
Total		121	76%	7%	17%	100

any particular time of more issues, in more environments, than their federal-relations counterparts—and to cope with more volatility.”

In some companies, it also calls for legal training. The state-relations function often began as a staff specialty within law departments, and in some cases continues to report to these units. Practitioners are still often lawyers—especially in utilities and banks. One utilities executive, who lacks this background, finds it a handicap, observing that most of his counterparts in other companies are lawyers; that it is difficult to understand some issues without a legal background; and that “lawyers like to talk to lawyers.”

At *Avon*, four out of five government-affairs specialists are lawyers. *Avon's* Director of Government Affairs explains the practice: “The job involves analyzing bills and their impact on the company. Lawyers are trained to interpret legislation language—are best able to judge whether the words of the law do or do not apply.” This executive notes, however, that the functions of technical analysis and advocacy are combined at *Avon*, and suggests that the importance of legal training diminishes where this is not so.

That appears to be the condition in most firms. Members of law departments may specialize in certain issues or on groups of states. They are sometimes assigned to work in tandem with particular regional managers. “It is not essential that regional managers be lawyers,” says the Vice President for Public Affairs at *Container Corporation*. “What is needed are managers with good judgment, strong communication skills, and impeccable integrity. They need an ability to develop thoughtful position papers and to line up interest groups. All of our state-relations managers worked on the staff of a state or federal official before coming to the company. All but one have a graduate degree. Most have liberal arts backgrounds.”

The Director of Civic Information, *Pfizer Pharmaceuticals*, shares these views, but reflects experience in

an industry in which state relations has often evolved as a specialty from sales and marketing responsibilities. “It is not the Willy Lomans who are successful, but the organizers who know the issues, understand the political process, and are sensitive to the problems and interests of legislators. The more effective companies are those that recognized this.” Enlarging on this theme, the Director of State Government Relations for the *Pharmaceutical Manufacturers Association* comments: “You have to know when to compromise, when to keep quiet, when to be sensitive to human dynamics. You can’t pound the table. Too many regional people don’t understand what motivates a state legislator. You can’t afford to be too hard-nosed. You have to know where power is, how decisions are made, how bills progress, where they can be killed or modified, and so on. This needs experience. You have to get away from the black or white syndrome: Yesterday’s enemies develop into today’s friends. State-relations people sometimes complicate rather than simplify things.”

The view of *Philip Morris USA's* Director of Public Affairs is that: “Some corporations are overly impressed by resumes in hiring for multistate government-relations jobs. They overemphasize academic credentials and contacts, and are not sufficiently concerned for their ability to understand the decision-making process in the various states; their ‘people’ skills; and their talent for generating creative options for influencing the process. It is equally important for the political individual to be able to function inside the corporate structure. In the long run, you can’t be fully effective and have real impact in the state capitals without having credibility inside the corporation.”

Local Participation

Whether or not they have formal state-relations units, most of the firms participating in this study report that the managers of their plants and other facilities are expected to take certain responsibilities for state affairs. It

Exhibit 1: Three Grass-roots Programs

The organization and uses of grass-roots systems for state affairs are illustrated by the programs of three companies.

International Paper has organized the 35 states where it has facilities into seven regions. Each is the responsibility of a regional manager who reports to the Corporate Director of State and Local Corporate Affairs. The regional manager's job is to help run a grass-roots network, as well as to lobby and otherwise manage state-and-local government relations. "IP's program is built on the premise that it is both good citizenship and good business for its managers to be involved in the processes of government," the Director of State and Local Corporate Affairs says.

The grass-roots network rests on the presence of someone (typically the plant manager at each of the company's approximately 150 facilities) who has undertaken government-affairs responsibilities on a part-time basis. The regional managers and these corporate affairs representatives work directly with legislatures as well as through trade associations.

International Paper's corporate affairs representatives are expected. . .

- to make a specific number of personal visits with public officials each year, including at least one call on a Congressman or Senator;
- to respond immediately to action requests issued by the Washington office or by the regional managers;
- to participate in one corporate-affairs seminar a year;
- to watch for, and report to the corporate-affairs manager, any local events or news that may have an impact on the company;
- to expand the local corporate-affairs network by improving the backup system for responding to action alerts; familiarizing people in the facility with the corporate-affairs program and newsletter; developing an additional person at their facility in the responsibilities of corporate affairs;
- to conduct facility visits for at least two public officials each year.

In addition, the corporate-affairs representatives are expected to know the company's position on key issues and to be able to communicate them effectively. However, employees are not required to take actions that are contrary to their personal convictions.

Thus, a management-by-objectives system for government relations is said to be in place at all International Paper facilities. Performance appraisals of corporate-affairs representatives are made each year by the regional manager—in part from information submitted by the corporate affairs representative in a four-page form that touches on each of the six criteria—with copies sent to their immediate superiors.

Three activities are undertaken to enhance the interest, knowledge and skills of the corporate-affairs representatives. First, they receive a biweekly newsletter, from which they are expected to gain a basic understanding of the major issues. Second, the regional managers coach new representatives on key issues and help them plan their visit schedules and other activities. Third, training programs conducted by the regional managers are held annually in each region. These are said to deal with federal and state issues in about equal proportion, and to include role playing and other participative techniques as well as seminars.

International Paper's coordinated use of regional staff and local personnel in both state and federal affairs is said by the company's director of state and local government affairs to have a number of advantages over the separation of functions that some other companies observe. "First, it conforms to the realities of political and legislative interconnections. Many Congressmen come out of state legislatures. Some of International Paper's people have good connections with federal legislators, based on past contacts in the states. Second, the communications aspect is simplified and involves less duplication. Third, the company has flexibility to use resources where the need is greatest. Regional managers spend two or three times as much effort on state issues as on federal, but may have to drop them—even when they are important—if something of higher priority is going on at the federal level. Fourth, it makes for a stronger 'rifle shot' approach to lobbying. Rather than have 160 people write to Congressmen, two will call on them at the right time in connection with a specific issue. The timing is crucial."

J.C. Penney has built a grass-roots system around a network of about 2,000 store managers. In each state, an organizational pyramid is topped by one of these managers, who is designated the Manager-Coordinator of Government Relations. Reporting to each Manager-Coordinator are anywhere between five and twenty Area Coordinators, who are responsible for a geographic segment of the state. Reporting to them, in turn, are the store managers within each of these segments—usually between five and fifteen.

The Manager-Coordinators are supervised by six regional field managers, and have long had three basic responsibilities:

Exhibit 1: Three Grass-roots Programs (continued)

- To coordinate the political activity of the area coordinators and other store managers in their states;
- To "know and be known on a personal basis" by the governor, lieutenant governor, presiding officers of both houses of the state legislature, and key federal legislators in their states;
- To participate each year in a two-day conference in Washington, one that the Chairman and other senior officers of the company also attend.

In 1977, Penney embarked on an expansion of this program, asking managers—particularly those who are also coordinators—to create informal committees consisting of themselves and five or more business people in their communities. These ad hoc committees constitute an extension of Penney's grass-roots system. Their uses are described by the firm's government-relations director: "We may ask the managers to call a meeting when an important issue is pending in the state legislature, or in Congress. They may be asked to generate contacts with legislators. Sometimes we will send the managers information on an issue we think is of long-range importance, and ask them to start educating their committees on the subject. And sometimes the managers call their committees together on their own to discuss, or taken action on, a purely local matter."

American Cyanamid has organized State Business Councils in six states, designed to support company positions "at all levels of government." These Councils comprise all plant managers within the state and other employees, as recommended by divisional presidents and corporate government-relations staff. The chairman of each State Business Council is usually the plant manager of a manufacturing facility in the state.

Business Council members have three key responsibilities. One is "to establish and maintain an ongoing personal working relationship with their local, state and federal representatives." The second is to follow issues that affect company interest—through business and the trade associations reports and through "frequent contact" with business organizations and public officials—and to convey important information to corporate government-relations staff. Finally, "when circumstances dictate," Business Council members are called upon to express their views and company positions to public officials.

Council meetings are held at least twice a year. One of these meetings is in the state capitol. At that time, meetings with legislators are also arranged.

is clear that the number who do so has been increasing, and that more attention is being paid to the performance of such responsibilities. Nevertheless management has made this expectation explicit, or has taken measures to follow through on it, in only a small proportion of companies. Two-thirds of the executives questioned in those firms engaging in state-relations activities characterize as only "average" or "poor" the extent to which plant and other line managers participate in state-relations responsibilities. Over a quarter believe that improvement in this regard should be a key goal of their companies' state-affairs programs (Table 4, page 7).

Only a minority of the companies surveyed expect local managers to help interpret political events in their areas, to monitor developments, or to take an active and direct part in lobbying. What almost all do expect is that at least some of them will take part in the legislative or regulatory activities of state trade associations or other business groups; will write or phone local legislators when asked to do so; will take steps to familiarize legislators and officials with the role their facility plays in the economic life of the community; and will pass on political information they happen to pick up.

There are wide differences among companies in these respects. The greater the number of state-relations professionals a company has, the more likely it is to

assign a role to local managers. Most utilities expect facilities managers to exercise government-relations responsibilities; about half of the manufacturing firms and a minority of banks, insurance companies, and retailers do so.

Whether managers of plants and other facilities play a significant role in state affairs depends largely, most participants seem to agree, on whether top management gives evidence that it is really expected of them. (See Exhibit 2.) In most instances this is not the case, they say. With respect to the state-relations duties of local managers, respondents report:

- More than half of the companies have no serious requirement by top management that "expected" duties be performed; that is top management does not ask that the conduct of government relations responsibilities be given any consideration in performance appraisals of local facilities managers. (This requirement is most likely to be present where the state-relations function has been staffed in some depth.)

- In only 16 percent of the responding firms with state-relations programs are there specific and planned objectives on which appraisals of the performance of facilities managers are based.

- Only one percent respond that in actual practice

Exhibit 2: 1982 Objectives for Ralston Purina's Government-Affairs Coordinators

In addition to three full-time people at the corporate level in state-government affairs, Ralston Purina Company has designated Government Affairs Coordinators at facilities in 28 states. These are managers, with primary responsibilities in operations, who are expected to help in government affairs at both the state and federal levels. The following "objectives" were spelled out for them in 1982:

1. Identify the U.S. Senators for your state(s); identify the Congressmen for your plant(s); and personally contact the State Senator(s) and State Representative(s).
2. Meet with the industry representatives from your state associations and chambers of commerce and familiarize them with all operations of the Ralston Purina Company in your state(s).
3. Form your own grass-roots network within your state(s)—involve people in your plant and other Ralston Purina plant managers.
4. Have key managers of all company facilities within your state(s) familiarize themselves with their elected public officials. Set up the necessary mechanism for relaying information concerning political affairs and requests for letter-writing campaigns. Remember that a quick response is often required.
5. Conduct a survey with office and administrative personnel as to who their State Senators and Representatives are and to what degree they are acquainted with them.
6. Help monitor pending state legislation in your respective state(s); forward those issues that affect the company to St. Louis State Government Affairs. On Federal legislation, advise Washington, D.C. Government Affairs.
7. Be knowledgeable of key legislative issues and the company's position on such issues.
8. Familiarize St. Louis State Government Affairs on issues important to you which may occur in your state(s) or in other states important to your operation, that is, in states where your major customers are located.
9. Familiarize yourself with legislative initiatives or voter referendums that could have a significant impact on the company, its products, profits or way of doing business.
10. Coordinate public-affairs programs in your plant and other facilities within your state(s) for managers and employees: voter registration; political awareness; get out the vote; PAC and so on.
11. Have an influence on your elected representatives' views concerning free enterprise, your industry, and the company.

government-relations responsibilities are usually or always a significant factor in performance appraisals—although 17 percent say it often is, and 60 percent that it sometimes is.

Especially at larger facilities, plant managers may delegate certain government-relations responsibilities, usually to an assistant plant manager or to a key staff person—most often, it appears, the head of personnel. At some major installations, government affairs is among the duties of a full-time external-affairs specialist; at others, it is a primary or full-time responsibility. And some firms with multiple operations in various states have organized "public affairs committees" or "business councils" within those states as vehicles for planning and coordinating the individual units' efforts, usually with the ranking member or head of the largest facility in charge.

State and Federal

In most companies the responsibilities of plant managers and their designees embrace both federal and state (or state and local) affairs. But 16 percent of the surveyed firms report that all, or almost all, of the government-affairs activities of such personnel relate

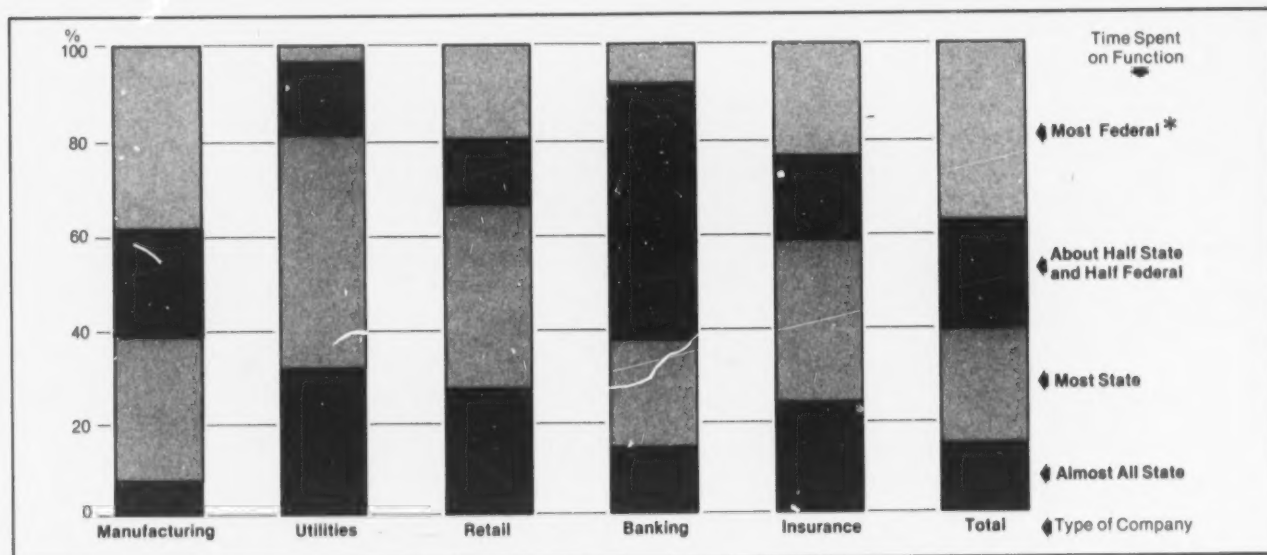
only to state matters; another 34 percent say that "most" of them do. State-level concerns are most likely to predominate among utilities and retail firms (Chart 4).

Three-quarters of these companies report that the amount of time devoted to government-relations activities by managers and other personnel at their facilities has increased during the past few years. Most say, further, that the portion of that time devoted to state-level concerns has increased (see table below). As the tabulation shows, fewer than 1 percent report decreases in time spent.

Change Reported	Percent Reporting Change in . . .	
	Amount of Time Devoted to All Government Relations	Portion of Time Devoted to State Relations
Marked increase	31%	20%
Some increase	44	46
No significant change	24	33
Some decrease	*	*
Marked decrease	*	*

*Less than one percent.

Chart 4: Time Spent by Plant Managers and other Facilities Personnel on Federal and State Concerns



*"All Federal" not a category because only firms with state relations programs were asked the questions.

Grass-roots Systems

The government-affairs activities of local managers and their designees are often conducted within a "grass-roots" system. Such systems seek to mobilize employees, shareholders and other with an interest in the company's fortunes, to communicate information and ideas to their legislators, or otherwise to act politically on the company's behalf. Insofar as efforts to enlist the aid of such constituencies can be taken as evidence of grass-roots systems, they are present in a majority of companies with state-relations programs. In 1981-1982, fifty-two percent of the respondents sought to enlist the support of employees (other than managerial); 20 percent, stockholders; 12 percent, retirees; 20 percent, suppliers or vendors; 25 percent, customers or clients—and 62 percent, one or more of these. About a dozen of the 253 surveyed firms have plans to initiate, improve, revamp, or expand such systems.

A firm may have facilities in enough states to create what can properly be called a *federal* grass-roots network, yet lack enough depth in any one of them to qualify it as a *state* system. The federal system, nevertheless, may be the mechanism or institutional form through which local managers are organized, motivated and trained for state and local activities. It is as members of grass-roots networks that they receive newsletters, action alerts, position papers, and similar communications—or that they take on certain contact and reporting responsibilities, or participate in meetings and seminars.

Developing Managerial Competence

Many of the professionals in state relations believe that one of their most important roles is to help develop the competence necessary for effective participation in that function in line managers. These executives often guide experiential learning by conducting briefings on issues and strategies, and by such other means as introducing managers to state legislators and helping them to host plant events.

Various communications devices prepared by corporate staff, or received from outside sources, may also be directed to line managers (and others with a need to know) as a further means of guiding and stimulating their participation in government affairs. (See Exhibit 3.) As reported by surveyed firms, there are several popular methods for doing this:

- 72 percent issue special bulletins alerting managers to important legislative matters and calling for action.

- 65 percent distribute copies of pertinent materials prepared by trade associations or other sources.

- 51 percent send out copies of company position papers or other analyses or reports on state relations issues.

- 33 percent have a periodic newsletter that deals with both state and federal matters.

- 24 percent prepare special material on state relations for a general company publication.

- 19 percent distribute a periodic newsletter devoted exclusively to state (and local) matters.

Exhibit 3: Grass-roots Communications at PPG

This exhibit presents two common forms of communication between corporate staff and facility managers:

PPG Public Policy Issue Summary

SUBJECT: Plant Closings

THE PROPOSAL: Plant closing bills have been introduced in 23 states during 1981 and 1982. Many of these bills require advance notice to employees, severance pay, continuation of benefits, training programs, out-placement assistance, and community reparations. A radical bill was introduced in the California Assembly by M. Waters (D-Los Angeles), in February, 1982, that is more comprehensive and punitive than most other bills on the issue.

PRINCIPAL CORPORATE IMPACT: Would allow state governments to establish the terms of a plant closing or reduction in work force, create costs for meeting requirements to compensate the community for lost taxes, and discourage business expansion in states with such laws.

PPG POSITION: PPG opposes such legislation because it would hurt a state's business climate, make it difficult to close operations facing economic difficulties, and reduce our profitability. PPG has a history of responsible handling of plant closings with concern for the affected employees and the community. When a plant closing is necessary in the future, we will continue our policy of managing such a closing in the fairest and least painful ways practicable.

OPPOSING VIEWS: Organized labor supports plant-closing restrictions as part of its effort to ensure job security for its members. Unions claim that some companies have closed plants without advance notice and made no attempt to retrain, relocate or otherwise assist their affected employees. Supporters of such legislation feel that employers owe it to their employees and their communities to give advance notice, compensation, retraining and other services to avoid the social disruptions resulting from layoffs and plant closings.

BACKGROUND: Plant closing bills were first introduced in Congress in 1974 but nothing came of those bills. In 1975, Maine and Wisconsin passed such laws. In the last three years, depressed economic conditions have hurt many industries and led to cutbacks in operations. Now, with a severe and lingering recession, more plant closings and layoffs are likely. Under these conditions, one or more states could pass legislation to restrict plant closings. New Jersey is considering a joint council of labor, business and public officials to monitor business conditions and try to avoid shutdowns. California bills are especially active. The business community, including PPG, is actively opposing restrictive legislation. Our goal is to help solve a difficult problem while fostering an attractive business climate in which PPG and others companies can thrive and provide new jobs to the benefit of communities and citizens alike.

PPG STATES IN WHICH PLANT-CLOSING BILLS WERE INTRODUCED IN 1981 AND THROUGH MAY, 1982

Alabama	Minnesota
California	Missouri
Illinois	Ohio
Indiana	Pennsylvania
Louisiana	Wisconsin
Maryland	West Virginia

PPG Guidelines for Action

Government & Public Affairs

April 23, 1982

TO: California Business Council Members

SUBJECT: Plant Closures

REFERENCE: AB 2839 M. Waters, D-Los Angeles

THE ISSUE: This bill would require advance notice of up to 20 months for a plant closure or reduction in work force, severance pay of 85% of pre-termination salary and payment of local taxes of 85% of the annual taxes of the preceding year. Such legislation punishes companies that try to make their operations productive in the face of economic difficulties. We oppose the legislation because it would hurt the business climate and discourage new industry from coming to California to create jobs. Such legislation could restrict future expansion of PPG's business in California.

STATUS: AB 2839 passed the Assembly Labor and Employment Committee and is now in the Assembly Ways and Means Committee.

RECOMMENDED ACTION: Write, wire or call your assembly legislators and members of the Assembly Ways and Means Committee. Also contact Assembly Speaker Willie Brown and Governor Brown. Please ask other managers at your facility to write also. The member's names are:

(List of 21 names.)

PLEASE LET ME KNOW WHAT ACTION YOU'VE TAKEN
(Signed by the Director, State Government Affairs)

A number of companies also distribute weekly or other periodic reports and updates on the status of bills of interest.

The competence of managers in government relations is further encouraged in some companies by formal developmental programs:

—27 percent conduct government relations workshops or seminars for plant managers and staff.

—20 percent send managers to such workshops or seminars conducted by other organizations.

—15 percent include training segments in regular business meetings.

The firms that design their own development programs tend to be the largest ones. Those sending managers to outside seminars and workshops are drawn more or less proportionately from among companies of different size and type.

Chapter 5

Organizational Arrangements

THE WAYS IN WHICH companies bring together their staff and managerial resources in the conduct of state relations are too diverse for simple classification. A petroleum executive who recently surveyed his industry found "as many organizational approaches as there are companies." There is no evidence of greater consistency among firms in other industries. Accounting for this diversity are differences among companies in their basic organizational structures; in the numbers, sizes and geographic distribution of their facilities; in the uses they make of professionals, managers and other personnel at various organizational levels and places; and in the relationships of professional staff members to each other and to operating personnel.

Four Forms of Organization

However, some order can be brought to this diversity—and a basic issue of organization highlighted at the same time—by viewing organization in terms of the role of corporate staff. From this perspective, companies fall into four groups, each with a distinguishable form of organization.

Form A: The sole or principal function of corporate staff is to coordinate the essentially independent activities of divisional personnel and to provide them with support.

Form B: Corporate staff manages and directs all (or most) state-relations activities, working through and with divisional and plant personnel.

Form C: Corporate staff acts to coordinate and support operations where they exist, but plays an operational role as well, serving as state-relations staff for divisions that lack such a resource, or taking responsibility for particular states or for certain issues in all states.

Form D: Corporate staff essentially takes full operational responsibility for the company's state relations.

Within these groups, the structures of many particular companies reflect changes they have made to achieve

increased corporate-level direction and control of the state-relations function.

The examples that follow are intended to illustrate key features of each form and to call attention to variations within the broad categories. They do not pretend to describe completely the state-affairs structures of the subject companies.

Corporate Coordination and Support

Where corporate state-relations units exist side by side with those of subsidiaries or other major product divisions, they normally perform certain traditional top-company functions. They provide information and counsel lower level units; connect them with sources of help—internal and external; facilitate the development of policies; and coordinate the implementation of plans. Corporate staff often also maintains contacts and conducts programs with national organizations (The National Conference of State Legislatures, for example) and may arrange for central purchasing of informational or other services. This role of coordination and support is, in some companies, the sole or principal one played by corporate staff.

•*Philip Morris Inc.*, a company with six operating divisions that have considerable autonomy in government relations, as in other areas, exemplifies this arrangement. Two of the operating companies—Philip Morris USA (the tobacco subsidiaries) and Miller Brewing company—employ personnel who devote all or most of their time to state relations; the others have active programs with part-time state-relations staff. Through a state-relations specialist, the corporate public-affairs department assumes responsibility for monitoring legislative and regulatory developments in all the states—purchasing a private computerized service as well as availing itself of the usual trade and company sources. It manages an information bank, to which all divisions contribute and have on-line access. The corporate unit also acts, in the words of the company's Director of Public Affairs: "to

coordinate—to unify—to use the strengths of one division to bolster another. Each division has personnel, contacts and programs that can be brought to the service of the others that are potential source of leverage.”

The corporate role does not include primary lobbying. This executive noted that although top staff people may at times call on outside industry contacts or internal resources to provide help to the divisions at times, “activism gets in the way of coordination. We are more effective moving the players on the board. And the operating companies like it better.” The operating companies help the process by submitting calendars of government- and other public-affairs events every two weeks.

•At *McDermott, Inc.*, a corporate-level state-affairs manager reports to a Vice President, Government Operations. There are seven state-relations “coordinators” in the field, all but one of whom report to local management. Three of these are essentially full time, and are located in Louisiana, Ohio and Pennsylvania. A southeastern region consisting of four states (Georgia, Mississippi, Florida and Texas) is handled by one coordinator, who reports to the management of a major division in Augusta, Georgia. North Carolina, Virginia and Wisconsin have part-time coordinators.

These state-relations jobs were created to ensure a more consistent and coherent corporate program serving multidivisional interests in the several states in which company facilities and people are located. “The coordinators monitor events in their states and are responsible for planning and carrying through programs,” the corporate state-relations manager says. “They come to us at times for help in getting technical information about impacts, and for policy guidance.” (The state-relations coordinators at *McDermott* are also key players in a federally oriented grass-roots system.)

•At *Rohm and Haas*, a Washington-based executive, who devotes some time to federal matters and reports to the Director of Government Relations, has formal responsibility for state relations. He reports that people are in his managerial “network,” including the firm’s Director of Government Relations, who directs and coordinates all government relations. The other members are the managers of facilities in five states, each the head of a subsidiary. These managers, or staff people they have designated, are registered state lobbyists, though all have other primary duties.

•State-government affairs at *General Electric* is based on a 50-state network. Each state is categorized by its importance—primarily in terms of production, but also as a market. On that basis, states are divided into four categories:

Category I has a full-time state-government affairs manager. The reporting relationship is either to the vice president and general manager of the major component

in the state, or to the regional vice president. (Salaries and expenses of these specialists are spread among the major components in each of the states.)

Category II has a State Public Affairs Council composed of the general managers of components in the state, or their designees.

Category III has a resident contact, usually a plant manager or an employee-relations manager.

Category IV relies on a relationship with a major business associate.

This network reflects General Electric’s view that state-government affairs has to be based on long-term, in-state, relationships. Coordination and support of the network is provided by the Manager of State Government Issues in the Corporate Government Affairs Operation, whose time is divided among Washington, corporate headquarters in Fairfield, Connecticut, and the state capitols.

•*Texaco*, divisionalized on a global-regional basis, is a special instance of the corporate-divisional relationship. As at Philip Morris, state-relations operations are essentially in divisional hands. *Texaco, U.S.A.* is the company’s largest division within the 50 states. A state-relations group in Houston, Texas covers all states with seven managers, each responsible for a geographic region. It has a dotted-line relationship with the corporate government-relations department in White Plains, New York, which is kept posted on important developments—through *Legislative Action Plans*, and by telephone, on matters that are considered to have more than local significance. This latter condition is said to exist when: (1) a trend or pattern of state action is coming into evidence with respect to an issue and suggests the need for a high-level review of the resources being applied; or (2) uncertainty exists as to what the company’s position should be on an important issue, and on how strongly and in what way its efforts should be pursued.

The present state-relations organization at *Texaco, U.S.A.* has been in place since 1980. The corporate General Manager for Government Relations says: “Before that, state affairs had been organized by function, with marketing, refining and exploration, for example, handling issues through the legal department. Sometimes all were working on the same problem and stepping over each other; and at other times issues were being ignored. All functions are now served by a single unit and the legal department’s role is just to respond to requests for help.”

Corporate Management and Control

In contrast to the firms in which each division plans and implements its own state-relations program, are those, evidently more numerous, that make strong efforts to bring divisional and facilities resources into the service

of centrally managed and controlled programs. The incentive for such centralization appears to be strongest among multistate firms in which a number of the same state are important to two or more divisions—especially where potential divisional conflict may bear significantly on corporate interests.

•*Olin Corporation* approaches central management and control with the leanest possible staffing. State affairs are the responsibility of a vice president who, along with the vice president, federal government relations, reports to a vice president, legal. The head of state affairs works through two organizational entities, both established at the same time (in 1978) as the state-relations program. One is a Government Affairs Committee (GAC) made up of senior representatives of each of the five product groups that comprise the company, and is headed by the Vice President for State Relations. This committee's functions are to develop positions, establish priorities, and generally coordinate state-relations policy—and to make "an objective selection" of candidates for PAC contributions.

The other state-relations instrumentality is a network of about 50 Government Affairs Officers (GAO's) based at plants and other facilities. Most are plant managers or superintendents; the others are either assistants in these jobs, administrative staff, or personnel who are "simply interested in politics." In states with several Olin facilities, one of the GAO's is designated the leading member.

Selections for this network, all submitted for approval to both the GAC members and the appropriate group presidents, were made by the Vice President, State Relations, in the course of visits to all locations. This executive also conducted regional orientation and training programs for those chosen. He says: "There is no problem getting the support of plant managers for this kind of program. State affairs have such an impact on company operations that the program is considered a necessity."

The Vice President for State Relations describes the responsibility of his office as training the GAO members, keeping them informed, and monitoring their activities. "Their job is to get to know the legislators and legislative staff members, and to help them get to know the company."

Meetings of all GAO members are conducted each year. Olin is one of a group of chemical companies that jointly purchase computerized information on state issues. The Vice President, State Relations, also spends a great deal of time working with GAO's on a one-to-one basis.

•A number of companies with geographically wide interests or ambitions have created regionalized structures in which important states are clustered and assigned to regional managers who are on corporate staff (see

Avoiding Mistakes at Scott Paper

Starting the process several years ago, Scott Paper Company has largely implemented a plan for a regionalized government-relations organization. (Scott has six regions, each centered on a "high-priority state" that occupies most of the time of the regional managers.) The company's Director of Government Relations, who was appointed to that job in 1979, says: "We've been trying to avoid some mistakes other firms have made while, at the same time, getting the program up to speed quickly.

"First, we have avoided giving regional people too many states to cover. They do not do a good job in any of them if they cover too many states.

"Second, we avoid having regional people report exclusively to operating people. They are not always best able to evaluate government relations performance." (Scott's regional managers report to the corporate director of government relations; each is based at a major facility in a high-priority state, has a dotted line relationship to the facility's top executive, and is treated locally as though part of the plant manager's executive staff.)

"Third, we have avoided the temptation to promote from within in initially filling the government-relations job. Good engineers, or public or industrial relations people, may not be good at government affairs." (Scott's organization has been built on the employment of "professionals with successful government-relations experience and first-rate educational backgrounds.")

"Fourth, we operate with a central set of goals and an annual plan, while still giving each regional manager plenty of flexibility." (Scott's program, which gives special emphasis to state relations, is based on five long-range goals:

- To enhance the political sensitivity of employees and get them to see the connections between political matters and the fortunes of the company;

- To create closer relations between the company and the government—especially with elected officials and senior executive-branch officials;

- To develop a stronger information base in order to better evaluate and monitor;

- To become effective advocates and develop a reputation for reliability;

- To undertake all appropriate activities to cut costs and exploit saving opportunities for the company that are generated by government action." (Annual plans are developed by the director of government relations with the regional managers, and include objectives for each.)

box). *International Paper* (see page 28) is one; another is *Union Carbide*.

West Virginia, Louisiana and Texas, three important Union Carbide states, were the first in which formal assignment was made of state-relations responsibilities—initially, in the late 1960's, to senior operating personnel but, by the early 1970's, to staff specialists. In 1972, the state-relations managers from these three states were transferred to the staff of Union Carbide's first, and

newly appointed, corporate director of state relations, and given responsibility for additional states. Gradually, the United States was divided into seven regions, each the responsibility of a regional manager. In 1982, the corporate community-relations group was combined into the state-relations organization. The Director of State Government Relations became the Corporate Director of Regional Public Affairs, with a headquarters staff of four and with seven people in the seven regions now handling expanded regional duties.

Union Carbide's regional managers work through Public Affairs Committees, made up of operating heads and staff specialists of local facilities in 20 states, and through state trade organizations.¹ Two facilities—one in New York and one in Colorado—have each assigned to the corporate group, and bill it for, half of the time of a staff specialist who works in state relations.

•States within regional groupings often differ widely in importance to the company and, therefore, in their claim on the time and efforts of regional managers. At *Standard Oil (Indiana)*, for example, 25 states are divided among 10 field people who, reporting formally to line management, are understood to be under the professional control and management of the corporate Director of State Relations. In this company, regions are grouped to include one or two "primary" states, in which the company has major assets and interests, and a like number of "secondary" ones. According to the State Relations Director: "In our primary states, the field people are expected to be on speaking terms with the leadership and able to move freely around the capitol. We try to limit the number of states our field people cover to three, although there can be times when they are expected to serve as monitors or help with association actions in different states."

•The regional approach does not require that staff people be based within the regions for which they are responsible. Companies that do not see a need to become deeply or frequently engaged with state issues, or that rely heavily on trade associations or lobbyists, may opt for more remote management. Basing regional managers at corporate headquarters, where they may have better access to information and internal expertise or may be available for other duties at times, may outweigh the advantages of proximity to the states they service in management's views. *Avon Products* is one of the companies regionalized in this way. The fifty states are divided among four specialists, based at Avon's corporate headquarters, who go into the field only when required to do so.

¹For a detailed description of Union Carbide's public affairs committees, see Phyllis S. MacGrath, *Action Plans for Public Affairs*. The Conference Board, 1977, Report 733, pp. 34-40.

Corporate Coordination, Support and Operations

The corporate state-relations unit is often not simply in either a support and coordination role or in a management and control role: It may also assume operational responsibilities for divisions that do not have adequate resources of their own, share certain operational responsibilities with divisions, or do both.

•At the CIBA-GEIGY Company certain divisions manage their own state relations, while others rely on the corporate department to do so for them. A pharmaceutical division has a full-time state-relations staff of five that divides responsibility for the states on a regional basis. Created in 1979, this unit was initially staffed with people who had been drawn into state-relations activities in connection with sales and marketing duties.

Each of CIBA-GEIGY's three major corporate plants employs a state-affairs specialist. The firm's agricultural division, however, has no full-time people at either the plant or divisional level. Since 1981, however, this division has been developing a network of sales, research and other specialists to take responsibility for monitoring developments in certain states and for working with specified trade groups. Its members report informally to a divisional head of public affairs.

The corporate Director of Public Affairs is devoting increasing time to the state-relations function. The unit has the following roles:

—To manage corporate-level relations in CIBA-GEIGY's home state of New York.

—To provide state relations services to those divisions that lack their own resources.

—To encourage and help divisions to develop their own capabilities—initially along the same lines as the agricultural division. (One or more divisions are expected to evolve to something like the pharmaceutical division model.)

—The corporate unit also provides a liaison function: This includes coordinating its own New York activities with those of the pharmaceutical division, which is also active in that state, and conducting a training program for all government-relations personnel in the company. (See page 31.)

•Corporate staff plays a prominent operational role at *United Technologies*, a company that describes itself as "gravitating" toward a regional organization for state affairs. Twenty-four states are divided among a corporate staff of four—three based at corporate headquarters in Hartford, Connecticut; one in Washington, D.C.

The executive in charge of state relations is a Vice President whose responsibilities also include environmental affairs. He shares operational responsibilities for a group of states with the other members of the unit. The Washington-based member devotes a

portion of his time to federal-government relations, originally his full-time responsibility in the company's government-affairs program. Also secretary of United Technologies Political Action Committee, this executive reports directly to the Senior Vice President for External Affairs in Washington, with a dotted-line relationship to the head of the state-relations function.

In several of the 24 states, the basic functions of monitoring and lobbying are conducted by subsidiary staff personnel—as they had been before these businesses were acquired by United Technologies. Carrier Corporation, for example, employs a full-time state-relations manager in its home state of New York, a state in which U.T. has no other major interest. This executive has a dotted-line relationship to the corporate staff person responsible for the state. A similar arrangement exists in California, where Hamilton Test Systems has its principal operations. In several other locations, staff members at facilities devote significant shares of their time to state affairs; in the remaining ones, it is a defined responsibility of plant managers.

•Arrangements similar to those at CIBA-GEIGY and United Technologies—in which certain divisions look after their own concerns while corporate staff serves the interests of others and may also address issues of common concern—exist at other companies as well. For example, *Eastman Kodak*: Seven states are of major concern to this company. Its chemical division manages interests in four of them—Tennessee (where it is based), South Carolina, Arkansas and Texas—with a government relations staff of one full-time and one part-time person. This unit is described by Eastman Kodak's Assistant Vice President for Public Affairs: "It is in effect, the arm of the corporate organization in these states. It reports to its own management on local issues, but works closely with us on corporate-level matters." An attorney at a Colorado facility handles state relations in that state, "as a collateral duty." New York, the company's home state, and Massachusetts, where it has a small facility, are the responsibility of a corporate manager of state and local government relations and an assistant.

•*Pfizer*: A corporate-level state-relations function was created at this company in 1982; one had existed since 1979 within Pfizer Pharmaceuticals. This division, one of five, has accounted in recent years for over three-quarters of the company's operating profit, and it is the only division with a state-relations staff. When a corporate function intended to take responsibility for corporatewide concerns and for issues affecting other divisions was conceived, consideration was given to its absorption of the pharmaceutical division's staff and function. The decision not to do so was taken, a company executive says, because "the pharmaceutical division was too important; the health-care issues it faced too com-

plex; and the need for close and direct contact among state-relations specialists, field marketing personnel, and operating management too great, to justify giving up its separate, specialized existence."

The Pharmaceutical Division's Department of Civic Information—its state-affairs unit—has a staff of five, each member based at a major distribution center and responsible for a group of states. Its primary responsibility is for legislation relating to pharmaceutical marketing practices. Other kinds of issues affecting this division as well as other divisions, corporate taxation, for example, are the responsibility of the corporate unit, which is known as the Department of State and Civic Affairs.

•*Allied Corporation*: A full-time state-relations function was created within the public-affairs department of this company in 1982. More or less formalized staff systems for state relations also exist in several of the firm's operating companies. Intercompany networks of staff specialists—one concerned with environmental regulations, the other with product safety, and both occasionally drawn into legislative matters—have also been formed in recent years.

One responsibility of the corporate manager of state relations is to coordinate the activities of the operating companies' staffs and the several networks, to bring consistency to the positions they adopt, and to promote interdivisional cooperation. Another is to increase the level and quality of state-relations activities in the operating units.

Still another corporate responsibility is to organize greater participation of company specialists in the work of the National Conference of State Legislatures. In this connection, the Director of Corporate Affairs says: "NCSL develops positions that tend to lead to legislation. We want our people to provide input to their technical committees so that we can influence the development of positions and the nature of legislation at an early stage."

•At *Motorola*, five individuals have state-relations responsibilities. Two are on corporate staff, both full time. The other three, all having other primary duties, are with operating units.

The corporate-level manager of this function, which originated with the incumbent in 1979, is a Washington-based Associate Director, who reports to the Director of Congressional and State Relations. Reporting to this executive is a full-time state-relations specialist based in Arizona, where Motorola is most active and is the state's largest employer.

Staff people, reporting to local management at three other Motorola facilities (one each in Illinois, Florida and Texas), are expected to devote 30 percent of their time to state-government relations. The basic responsibilities of these three individuals are in benefits administration,

facilities planning, and public relations, respectively. A "firm commitment" from operating management is said to have been made in this regard—a commitment that is having the incidental effect of stimulating management's own "political awareness."

Full Corporate Responsibility for Operations

Complete responsibility for state-relations operations may be vested in a corporate-level unit as a reflection of top management's underlying approach to organization. "Our management does not believe in using plant people for political activity," one executive reports. Another reason for this type of organization is that company facilities in the various states are small, not staffed in depth, or otherwise deemed unsuited to an active role. More often, however, it is simply because the firm has important interests in only a single state.

Among essentially single-state companies large enough to be included in this study, all but a few are either gas and electric utilities or banks—firms that also market only one type of product or service. Such firms are more likely than others to have a state-relations unit but less likely (for the most part, unlikely) to employ more than one or two people in it.

•In New York State, for example, each of the five largest utilities employs a full-time state-relations specialist. The largest of them, *Consolidated Edison Company of New York*, has had such a person on its staff since the early 1960's. A company executive says: "But it was not until the antinuclear and environmental movements came together, and the Mideast war and oil shortages jacked up prices, that the legislature began to deal with really vital matters." Although the legislature is in session only half the year, Con Edison's state-relations manager devotes most of his time to the job year-round. In addition to internal and external liaison and lobbying activities inherent in the job, and the task of maintaining relations with 105 legislators who are within the company's service area, he is active in the affairs of the Energy Association of New York—a group established and supported by the state's seven gas and electric utilities. This executive, who reports to a Vice President for Community Relations and Government Affairs, also shares responsibility with the New York City lobbyist for administering the company's Political Action Committee. He says: "This duty connects me with federal and local matters as well as with state."

•Most of the companies that rely basically on corporate staff to conduct programs in a sizable number of states are nonindustrials. At *Metropolitan Life*, two vice presidents share responsibility for state relations—one for New York State (and New York City) and the other for the remaining states. Along with a vice president for federal relations and another responsible for health economics, they report to a senior vice president. Both

are lawyers and have lawyers reporting to them as staff assistants. In addition to monitoring legislative and regulatory developments in their states and attendant evaluation and planning activities, these officers try to assure that the trade associations to which the company belongs act in its interest. Both are also registered lobbyists and take whatever direct action they deem appropriate.

•At *New England Life*, too, working with trade associations is said to be "the key role of company staff." A state-relations specialist, with one staff assistant, devotes about 85 percent of his time to Massachusetts and the rest to other states. The senior vice president to whom he reports also spends about a third of his time on state relations. Other company executives are said to be assigned "personnel constituent responsibilities" and trade association duties.

•Corporate staff may not all operate out of the same unit, as the *Bank of America's* organization illustrates. At *Metropolitan Life*, one full-time state-relations specialist is responsible for all the states but California where the firm is based. She is a member of the Public Affairs Department, which reports through the Legal Department to the Chairman of the Board. Based in New York, her responsibilities do not include lobbying.

The Vice President for Public Affairs devotes a large portion of his time to state relations especially in California. Lobbying in California is the full-time responsibility of an executive who is based in Sacramento and reports directly to the General Counsel.

Several analysts in the Public Affairs Department devote most of their time to providing research and analytical support to these executives (as well as to the bank's Washington office).

Corporate Headquarters or Washington?

While companies with corporate-level staff generally base their state-relations programs at corporate headquarters, a few also have personnel in Washington, D.C., and nearly one in ten manages its program from there. Washington-based management of the state-relations function often reflects its origins as an offshoot of federal-government relations. Even where this is not the case, the choice of the Washington location may reflect an intention to achieve what some see as the "synergistic" value of close contact between federal- and state-relations staff.

A Washington-based state-relations director says: "For one thing, there is an increasingly high level of lobbying activity by organizations representing state government in Washington. The National Conference of State Legislatures has staff and a year-round program there; the National Governors Association is based in Washington and also lobbies actively for state interests; the Advisory Committee on Intergovernmental Problems

also has an impact on important state issues. Moreover, quite a few conferences and meetings that are significant for state and regional affairs occur in Washington. And, finally, there is a network here of corporate government-relations officers, of trade associations, and of other organizations."

Another Washington-based executive, commenting on the "close intertwining" of federal and state relations says: "It is proper that both should be in Washington. Members of Congress all have networks of support in their states. They can be asked for help, therefore, in connection with state issues—and our state contacts can lead us to federal ones." The corporate head of public affairs for a firm that decided, after some consideration, to base its state-relations unit at corporate headquarters notes, nevertheless, that "uniformity and consistency of positions" is easier to achieve when the federal and state functions are together.

Against these considerations, proponents of the corporate-headquarters base argue the advantages of proximity and ready access to the staff specialists and operating executives whose participation in assessment and planning tend to be needed much more often in state than in federal matters. Some also fear that the vitality and consistency of state affairs will be weakened if tied

too closely to the federal function. "State relations are subverted and treated as secondary in importance by the people in Washington. Therefore, they tend to be viewed that way throughout the company," one state-relations head says. To another participant: "Washington offices tend to think of state relations as class C baseball, while they are in the major leagues."

Still another advantage that is claimed for the corporate-headquarters base is the close connection that state affairs has with community affairs, on the one hand, and with regulatory relations in the state on the other. For example, a Director of Corporate Affairs says about the decision of his company to base a newly created state-relations activity at corporate headquarters, under his direction: "Over a ten-year period I have developed contacts and rapport with managers and staff people at all our plants in connection with community-affairs activities generally, and with contributions in particular. We're now calling on these same people to enlarge the scope of their external-relations responsibilities." Similarly, companies report that networks developed out of corporate headquarters by various staff groups (particularly those dealing with the environment) with facilities personnel are vital elements of their state-relations programs.

Chapter 6

Operations

STATE AFFAIRS, most of the practitioners responding to this survey agree, comprises the functions of gathering information, assessing it in terms of company interests and goals, planning appropriate actions, and taking measures to implement plans. Very few of the executives taking part in this study voice dissatisfaction with the sufficiency, timeliness and relevance of the information on the states that comes into their companies. A great many, however, are unhappy with what happens to the information afterwards—that is, with how it is filed, analyzed and used in program planning and implementation.

Information: Nature and Uses

Insofar as a company's approach to state affairs is essentially defensive and reactive, its primary interest will be information about bills being considered by legislative bodies—their provisions, status, sponsorship, prospects of enactment, and so on. Such information may be sought at several stages of a bill's progress through the legislature—namely:

—*In advance of its introduction:* Companies look for early warning about important bills. "The trick is to identify issues when they are still in the draft or conceptual stage—to know as early as possible what may happen," a state relations executive says. "Even if you can't stop a bad bill from being introduced, it helps to get a headstart on it."

—*At the point of introduction:* How much effort, if any, a company decides to devote to the passage, defeat or amendment of a new bill will depend on what it concludes about the strength of a bill's sponsorship and support. The director of a newly created state-relations department says: "A lot of bills are introduced by legislators for the record—or the next election. Everyone on the scene knows their chance of enactment are nil. Knowing which one in every ten bills that concern you is worth worrying about is the most crucial single need for the management of state relations."

—*During the period of legislative consideration:* In

planning their efforts with respect to a bill or issue, and conducting their campaigns for or against it, companies want to know as much as possible about the character, plans and motives of their opponents and allies, about the bases for compromise, and so on.

But state affairs for many companies is more than a series of ad hoc responses to unwelcome legislative initiatives. Some firms have been instrumental in the introduction of bills they have deemed useful to themselves, to their industry, or to the community. Many try to plan on the basis of some understanding of longer term prospects, as these may be reflected, for example, in happenings in other states or in shifts in attitudes among public groups or legislators.

To the degree that a firm's approach is proactive, the nature, time horizon, and geographic range of its informational interests will widen. Focusing on issues that are most important to it, such a company will seek to follow pertinent legislative, regulatory and political developments at the federal level, and assess their implications for the states in which it has interests. It will monitor events in other, especially bellwether, states. It will study public attitudes and currents of opinion, and their reflection in the views and intentions of legislators. It will identify interest groups and their organizations, and study their goals and strengths.

In short, state-affairs information systems are often integral to larger ones through which companies seek not only to manage their external relations, but to guide their basic strategies as well. To examine these is beyond the scope of the present study: what follows focuses on information that is geared to the shorter term or tactical interests of state-relations programs.

Information: Sources

Such information about state affairs comes to company planners from professionals in other firms, and from lobbyists, private organizations, business groups, and general and specialized media. Managers and staff

people at company facilities are also a source of information for higher units—reporting on their own activities and often transmitting data gained from other sources. One government relations director calls them “philosophically the best source,” in that their familiarity with company operations allows them to make at least a preliminary assessment of the information they are passing on, while the act of conveying and interpreting it tends to renew and reenforce their commitment to a political role.

Collectively, if not always individually, these sources are said to serve company needs in the states reasonably well. One state-relations executive says: “Information is fed to us from enough sources that if we miss something important in one, we are bound to get it from the second or third.” Another comments: “Intelligence gathering and monitoring is the easiest part of the state-relations activity. It requires either a lot of money or a lot of talent. Services are available that are quite good, even if not perfect.” Still, state-relations professionals often tell of costly surprises. In the words of one government-relations vice president, “the rare occasion when a bill goes through the hopper and is signed by the governor in a day or two.” Companies must make judgments about the costs and benefits of reducing the chances of such accidents.

A Primary Source: State Governments

Much of the basic data of state affairs is found in the calendars of state legislatures and in the copies and digests of bills and reports of actions taken. These are published with varying degrees of promptness, accuracy and completeness, state-relations professionals are quick to point out.

Many people in the state-relations field hope, and some expect, that all the states will, in time, develop reliable computerized information systems with on-line access by business and other private interests. An executive of a prominent government relations service and consulting firm says they are moving in this direction. “States like Illinois, Virginia, Minnesota and Florida allow access, but the information is not worth using. The information retrieval mechanisms in some states are cumbersome, and the information is incomplete and often inaccurate. When it comes down to brass tacks, only Connecticut has a system worth tapping into. This is run by a private company under contract to the state.”

But most firms also rely on various business and private sources to gather, filter and pass on information as it becomes available from the primary legislative sources, and to analyze, interpret and add to it.

Business Sources: Organizations and Networks

As one of their services to members, chambers of commerce, manufacturers’ organizations, and trade

associations provide information about state affairs in the form of legislative bulletins, newsletters and special analyses. Some generate this information with their own staffs, others through consultants or private services. As a by-product of the work of their various committees and task forces, these groups also provide state-relations personnel, with important opportunities for the exchange of information and views. A chemical company executive says of a state affairs committee of the Chemical Manufacturers Association, for example: “Meetings are held monthly, and it is a sign of their interest and value for members that all but a few attend each meeting. The 38 members have their own networks, so that there are really inputs from about 1,000 people by the time you go around the table.”

Networks, widely extolled as media for information and advice from peers, are a part of the state-relations professional’s way of life. They grow out of such organizational ties as the one just described, and out of shared activities, attendance at professional meetings, and referrals by common acquaintances. “Competitors in other respects, companies allow or encourage state-relations people to be candid about their legislative activities,” a government-relations vice president says.

State-affairs people with many states to cover “are apt to know a hundred other state-affairs people on a first-name basis—and to be on the phone with them constantly,” one state affairs executive says. And a drug executive comments: “The phone bills of regional managers are very high and include many evening calls from home. Each of these managers has some special knowledge: The one from Eli Lilly knows Indiana; the person from Pfizer is familiar with Illinois, and so on.”

Private Information Services

Legislative information may be purchased from suppliers in the individual states and from firms offering multistate service. Companies use them as the only feasible way to get information in certain states, and as the most efficient way to do so in others. They are also employed as an additional resource when existing ones are judged to be less than totally adequate, or when the risk of missing information seems worth the cost of extra (and possibly redundant) coverage. Such services are said to have the further virtue of shielding the identity of the interested company. In rare instances, this may be the principal reason for their use.

Forty-seven percent of surveyed companies with state-relations programs used a multistate information service during 1981-1982 and 44 percent used one or more state-based services—about one in eight employing them for the first time. Many others, however, received information from these services indirectly, through other purchasers. Trade associations and general business organizations are the most common intermediary

sources, but there are others as well. A leading public-relations firm, for example, provides a service to clients based partly on its subscription to a multistate service, partly on its own network of retained "counsel," other contacts, and media sources.

Private information services in the states include legislative reporting firms, that publish daily or other periodical summaries of the activities of state legislatures, and contractors who provide information more closely tailored to the company's interests. Prominent among the latter are lawyers, law firms, and others—identified, variously, as "legislative counselors," "advocates," "communications consultants," "hired guns," and "stringers"—who sometimes offer lobbying services as well. "We pay a modest retainer to a law firm to listen and interpret for us," a public affairs director says. "These contractors alert us to matters of possible concern and send us copies of bills. If we decide we need lobbying help, we can go back to them for it."

A Computerized Service

Since September, 1982, companies have been able to buy computerized services from only two sources—Public Affairs Information Inc. (PAI) and Commerce Clearing House, Inc. (CCH). Two other large firms in the field—the Martin Haley Companies Inc., and State and Federal Associates Inc.—discontinued that form of state-information service at the same time, although they continue to offer a wide range of other services. As of mid-year 1983, PAI's president reports, the company had about 275 clients, corporate and trade association: on-line to multiple locations for some clients, it claims about 500 users.

Companies with multiple locations are likely to buy directly from PAI. One reports, for example, that 20 of its facilities are on-line to this service. Companies in certain industries have gotten together as group buyers to lower their individual costs. Fifteen chemical companies,

Exhibit 4: The State Legislative Process

This description of the state legislative process is taken from a reference work on state affairs published by Public Affairs Information, Inc., entitled The State State. © 1983, Public Affairs Information, Inc., Falls Church, Virginia. Quoted by permission.

In most states, a bill is introduced in one house, numbered, printed, read by title only, and referred to a standing committee for consideration. The committee consideration is crucial to the life or death of the bill. In forty states, the committees are not required to report bills out of committee, and many bills die simply by remaining in committee during the entire legislative session. A bill may be referred to more than one committee and to subcommittees. In such cases the bill is not reported to the floor until all committees have recommended action on it.

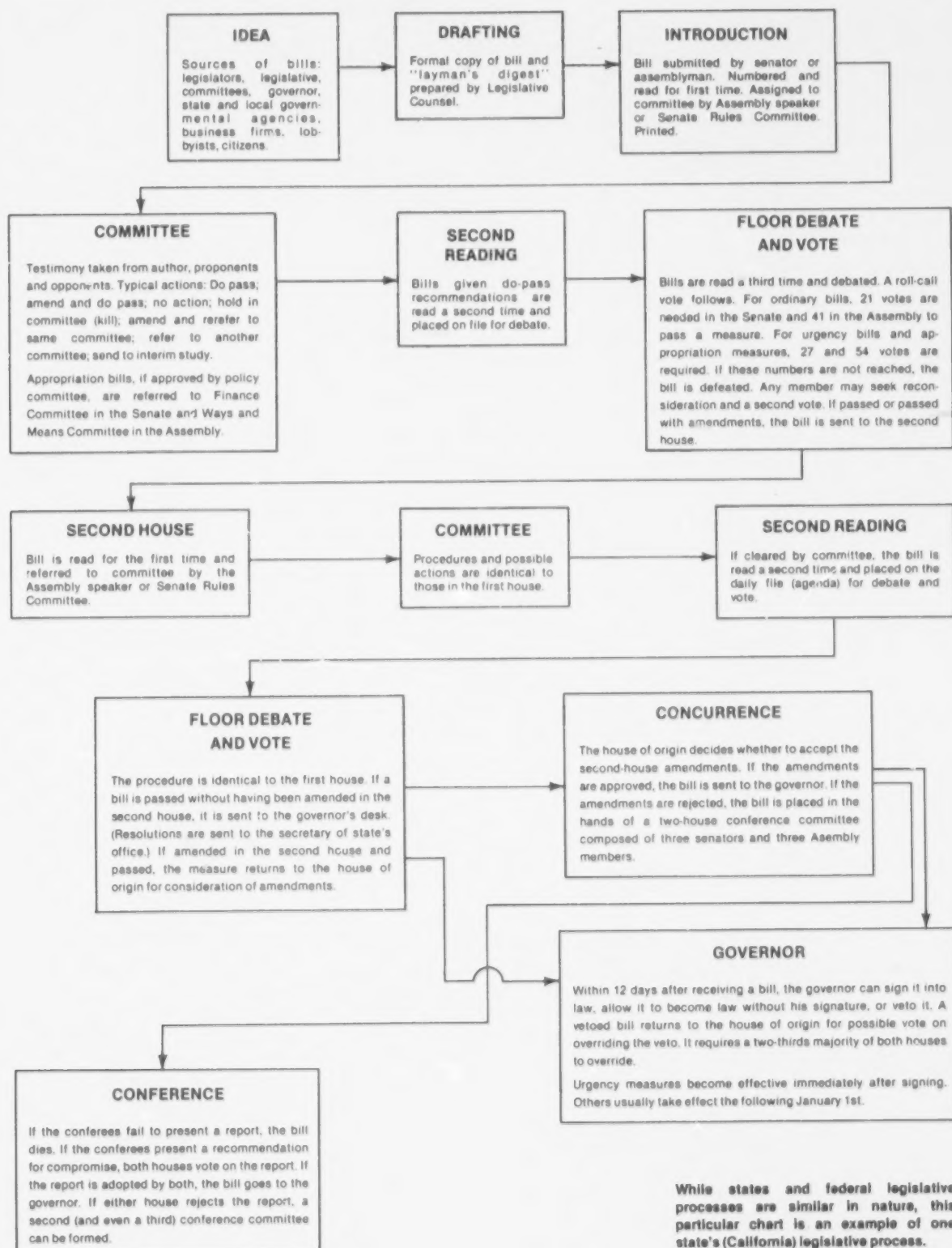
Most states require that each bill be read three times in each house before it may be passed. Frequently such readings have to be on three separate days as well. This requirement is intended to insure careful consideration of each bill. Rarely are bills ever read in full because of the impracticality of such a practice and the fact that each legislator usually has a copy of the bills under consideration. Frequently rules are suspended, particularly during the last days of a legislative session, and bills are given two, or even three, readings during the same legislative day.

Basically the first reading serves to introduce a bill and is primarily informational; during the second reading the greatest amount of debate and amendment occurs; and the third reading is the final reading prior to approval and passage. Debate and amendment may also occur on third reading. Committee amendments and floor amendments are incorporated in an engrossed copy of each bill prior to its third reading and final vote.

The passage of a bill appears to be deceptively simple. A bill may be introduced, reported favorably by standing committees, pass second and third readings, be transmitted to the Governor, and signed. Passage is rarely that simple, of course. In actual practice many rules are suspended and many standard procedures ignored. Some bills are never printed.

If a bill is amended in the opposite house, it is returned to the house of origin for concurrence in amendment. If the house of origin does not concur, the opposite house may withdraw its amendments. If the opposite house refuses to withdraw its amendments, a conference committee is appointed to resolve the differences between the two houses; its authority is limited to that purpose. The conference committee, composed of members of the House and Senate, issues a report reflecting the settlement of differences, which must be adopted as is by both houses. (The conference committee report cannot be amended.) If both houses adopt the conference committee report, the bill then goes to the Governor for approval. The bill may go to a second conference committee if either house rejects the first report. Occasionally a third or fourth conference committee has convened to work out differences. If the House or Senate rejects the conference committee report, the bill is then dead. All states except Nebraska may follow the conference committee procedure to resolve differences between the House and Senate on the passage of controversial bills.

Exhibit 4: The State Legislative Process (continued)



for example, acquire PAI's services through the Chemical Manufacturers Association. All receive a base of common information to which they have on-line access, and each may contract separately for additional coverage. The National Agricultural Chemical Association and several other trade groups have recently become partners in this arrangement. Similarly, seven of the top oil companies buy monitoring services through the American Petroleum Institute. Four banks—the Bank of America, Manufacturers Hanover, Security Pacific, and Chemical—have also formed a buying group, and others are reported to be joining them.

Although not a source of "advance warning" or "substantive intelligence," as is often observed, or a "substitute for on-site presence," computerized reporting is a basic source of information about the actions of state legislatures, to some users. To others, it is a valued supplement and backup, a "fail-safe system." But subscribers to current and discontinued services urge that computerized reporting be used judiciously.

First, they say, it is important to be aware of certain potential sources of disappointment.

—Product quality varies by state and an element of "human error" is unavoidable: Information is typically reported to a central point by "stringers" in state capitols, who may overlook bills or make other mistakes. Information they provide may be misunderstood and miscoded by the central processors. An insurance company executive says: "The titles of bills may not clearly indicate their content and long bills are difficult to summarize in a couple of sentences. It is also not always easy to know what has really happened to a bill. It may have passed but been gutted by amendments. Or, conversely, an innocent bill may be made more potent. Considering the difficulty, it's amazing how good a job they do."

—Information may not always be received quickly enough. Companies that are not on-line with the computer service may not get information through the mail for seven to ten days. Even where electronic means are used, as they are more commonly, there may be delays in getting synopses or other information processed during periods in which large numbers of bills are introduced or enacted quickly. Those who have been providing computerized information—and some of their clients as well—believe that companies are, as one puts it, "too preoccupied with timeliness. You rarely need 24-hour service, except, perhaps, at the end of the legislative session when the pace is likely to step up sharply."

—Obtaining and handling desired information may be more troublesome and costly than expected. A number of participants in this study speak of being "glutted" with information. Others report that they find it more complicated to get information from the system and, therefore, more costly in computer search time than

expected. Some firms are said to have "rushed in and withdrawn, burned, almost as quickly" for this reason. "Costs can go as high as \$50,000 over the charge of the basic service," one executive says.

It is also vital for prospective users to be clear about how computerized information fits into their state-relations programs, say some who have employed these services. Trade associations and the company's own counsel or personnel may offer reasonable insurance that important bills will not be overlooked. One executive reports that, on assuming the top state-relations job in his company, he discovered that there was no lack of accurate and timely information, thanks to a computerized service, but there was a frustrating inability to act on it. Alternative uses of money spent for computerized information—additional personnel, for example—may be wiser, some suggest.

Companies are also advised to save money and avoid information overload by ordering no more data than they need. One of the reasons costs are sometime higher than expected, it is suggested, is that some firms want to "cover all bases"—are unwilling to take some risks. A spokesman for a consumer goods manufacturer reports: "We attempt to limit the bills we follow to those that have a decided impact on our company and its operations. We continually analyze the subject areas we want covered for us—within the company and, once a year, with the reporting service." Information services, one executive comments, are analogous to insurance. "Tobacco companies need a lot of it because the few bills that concern them are likely to have powerful effects. But some companies buy more of this kind of insurance than they need."

Information Files

Only 13 percent of the companies with state-relations programs report that any information relating to state affairs is computerized, though some say such a step is in progress or planned. The great majority of firms maintain state-relations data in files, on index cards, and in loose-leaf books. This is a source of frustration to state-relations professionals who have to deal with many states. Participants cite the amount of time staff must devote to them, the neglect of files that occurs when limited staff resources must be turned to other matters, and the frequent difficulties in locating needed information. No less important are inefficiencies in analysis. "If the user wants to pull together information that has been filed in several different places, several files must be pulled, relevant data entered on yet another form, and the files returned," notes a report prepared for a bank by an information-systems consultant. One executive says her company has no other state-affairs files to speak of.

Another sort of inefficiency is seen by some in the

absence of certain kinds of information because there is no one to do the filing. A food executive says: "The same issues arise over and over again—in the same or somewhat different manner, and in the same or different states. Unfortunately we have no central files, no repository of data on these issues. The wheel is being reinvented constantly."

Following are the percentages of companies that maintain various types of information in their files:

92 percent—provisions, status, and other information about proposed state legislation, regulations or rules;

98 percent—analysis of costs or other effects on the company of proposed or existing legislation or regulations;

61 percent—political history, arguments pro and con, identity of proponents and opponents, company positions, other information about public-policy issues that bear on state (or state and federal) relations;

52 percent—voting records and other background information about state legislators or other public officials;

24 percent—lists of vendors, customers and other potential business allies in the state.

Computerized Systems

Valuable as the computer may be for greatly increasing the amount and variety of information that can be stored, it is the potential for easy and selective retrieval and for analysis that are the computer's key attractions for sophisticated state-relations professionals. An executive at Philip Morris, a company that has a highly developed—perhaps unique—computerized information system known as GAMBIT (see Exhibit 5), says: "You can be a neophyte on an issue and still understand quickly how it relates to the company: The screen asks questions that lead you to the necessary information."

In a system like GAMBIT, computerized data from a private service or from the state legislature can be added to other inputs as part of the company's data base, and can be related analytically to these other data. Thus, computerized information about a new bill can be connected with stored information that permits evaluation of its chances for passage, analyzes its potential impact on company operations and costs, provides data and summarizes arguments that have been made on the issue, and lists other sources of information. Such systems can also quickly connect bills bearing on particular issues with individuals in the company whose responsibilities may be affected, whose views should be sought, who might be needed for technical information or expert testimony, or who might have special access to important legislators or others. They can, similarly, tie bills and issues to potential allies and supporters outside the company—vendors, customers and trade groups.

The uses of computerized information systems in state

affairs go beyond particular bills to trend analysis, forecasting and evaluation. A Philip Morris report says that the company's "interactive computerized issues management system," which serves not only state relations but the company's whole range of public affairs concerns, can also be used to guide the company's external and internal communications, to help manage corporate resources effectively, to give priority to critical issues, and to gauge the impact of corporate strategies.

Internal Communications

Internal communications from state-affairs units have several distinct purposes. One is to advise management about the tasks, activities and achievements of the units—that is, to provide higher corporate authority with the information it needs for effective direction and control. A second purpose is to support the planning activities of other staff and line units by making them aware of changes in state business environments—and to stimulate such responsive information and comment as may be helpful to the state-relations unit in understanding the significance of events they report and in planning their own activities. A final purpose is to generate action designed to influence change.

Some communication devices combine all of these purposes, but most are clearly specialized.

—19 percent of the surveyed companies provide a periodic newsletter devoted exclusively to state (and local) matters, and 33 percent a newsletter dealing with both state and federal matters. A tobacco company, for example, publishes a legislative update that summarizes "significant developments" in the various states, takes brief note of other developments, and devotes a short section to analysis—a report, in one ten-page issue, for example, of states that increased taxes during the past year. A bank puts out a six-to-twelve-page state government affairs report that describes relevant bills and regulations in its states, reports on their status, and sometimes comments on their origins and wider significance. A third company issues a monthly legislative update on each of several states.

The same brief reports may have different purposes for each of several groups of recipients—for senior management, an overall perspective; for the sales force, knowledge of rules changes; for employees as a group, an informational background for grass-roots participation.

—24 percent of the surveyed companies report that special material on state relations is included in a general company publication. In regular company house organs, such material may include news stories about state affairs, special features, and, in at least one company, a regular editorial in each issue. The state-relations material may also be included in more specialized employee publications. A chemical company, for example, issues one called *Public Issues Perspectives*, which by

Exhibit 5: Philip Morris's GAMBIT

This computerized information system at Philip Morris is built around the "segments" shown below. New information can be developed by interrelating data from two or more segments.

•**MEASURE SEGMENT**—contains detailed information on measures (proposed legislation, regulations, rulings, etc.) at the international, federal, state and local levels, including:

- issues, subjects and key words that relate to the measure
- bill number
- title of measure
- introduction date
- summary or abstract of measure
- history of measure
- main sponsor and any cosponsors
- chronological activity (hearings, votes, etc.)
- scheduled hearings
- related measure reference numbers
- committee(s) to which referred
- status of measure
- comments on a measure
- enforcement of measure

•**ISSUES SEGMENT**—contains detailed information on the development of each issue including:

- issue
- subject(s)
- key word(s)
- claim
- response
- industry position
- explanation
- allegations
- rebuttal
- company facts
- bibliography

•**PROFILE SEGMENT**—contains detailed personality profiles on international, federal, state and local sponsors including:

- political party and leadership position title
- state and district code
- constituencies and allies within district
- plant locations within district
- committee(s) on which legislator serves
- education
- occupation
- voting records
- key staff members
- political contributions amount and date
- federal, district and home address
- group ratings

•**COMMENT SEGMENT**—contains industry, company and personal comments related to specific legislative or regulatory measures, treaties, sponsors or issues, subjects or key words including:

- date of comment
- source of comment
- security code
- audit code
- issue(s), subject(s) key word(s), bill(s), sponsor(s), and organization(s) referenced to the comment
- corporate position statements

•**CROSS-REFERENCE CODE SEGMENT**—contains the standard codes used in the system and the associated English-language interpretation of these codes including:

issues, subjects and key words	
committees	counties
states	countries
cities	source of comments

using the writing of "experts with outstanding credentials," is intended to lend weight and credibility to the firm's positions on controversial issues.

—51 percent of the surveyed companies distribute copies of position papers and other analyses or reports on state related issues to company people. These are essentially internal planning and control documents. They examine problems and issues from the standpoint of company goals, define the company's interest and aims, analyze trends, report on activities, and anticipate the future.

—72 percent put out special bulletins alerting recipients to important legislative matters and calling for action. These are often called "Legislative Alerts," but vary in the degree to which they are oriented exclusively toward eliciting an action response. One executive describes them as "in fact, memos on issues that go to key people and supplement the broad coverage of our newsletter."

One professional in a department that does not issue formal reports to a wide company audience sees a missed benefit in this beyond the communication of information. She says: "It is true that our company is small

enough for us to handle things informally and selectively. But a regular legislative report would help to institutionalize the state-relations function—give it visibility and an official stamp.”

Assessments of Legislative Proposals

A newly proposed bill raises a series of questions.

—*Would it affect the company at all?* State-relations personnel cannot always make this initial judgment. Their ability to do so, and to know where to go for help, increases with time and experience; but it can be enhanced by design. At a large manufacturing company, for example, annual meetings of corporate and divisional state-relations staff include a day of sessions with experts on competition, hazardous waste disposal, and other technical matters that may become the subject of legislation or regulation. And the director of state relations for a bank says: “We take courses, arrange briefing luncheons with department representatives, call specialists with questions, read widely, and so on.” She adds, however: “The banking business is so broad and complex that perfect understanding of all issues and all the ramifications of legislation is not attainable.”

In the meantime, some companies have developed formal lists of relevant issues for state relations staff:

—*What, if any, are its chances of enactment?* “The most crucial need for the management of the state-relations function is to know which bills have strong enough sponsorship and support to be worth worrying about,” a manufacturing executive says. This is the only aspect of the assessment process for which outside resources may be important.

—*How will it affect the company?* It is on this aspect of the assessment that the level and the means of response depend. The head of state relations for a manufacturing firm says: “When a bill is introduced in a state, that may have impact on us, I arrange to get a copy of it, have it analyzed by the appropriate technical people, and get the information back to the plant manager.”

Knowing who to call upon for this critical assessment is an important aspect of the state-relations job. In a number of companies, individuals within each of the corporate-level staff departments and at major facilities have been formally designated as contacts for technical assessment on specific issues. They may serve for both federal and state issues, though one company reports that the number and variety of issues in the states is so great that supplementary local resources are needed.

—*What should the company's position be?* The company may decide that it favors, opposes or would like to see certain changes made in a bill. State-relations staff may decide on a position on the basis of precedent or familiarity with management's views; or it may coordinate a process that brings technical and political in-

formation together with policy considerations for management decision.

In practice, the process of taking positions is often inseparable from that of deciding how a bill will affect the company. A manufacturing company's state-relations manager describes this initial assessment procedure, for example: “When I learn of a bill that might conceivably affect a division of the company I get a copy and send it to the appropriate manager with a standard form. It asks: Is this bill a concern to you? Should we oppose or support it? Are there amendments we should work for? If so, what are they? Do you want to be kept informed of developments?”

As companies participate more widely in state affairs, and diverse internal interests have to be reconciled, they may have to deal with what one surveyed executive calls “freelancing by regional people who do not fully understand corporate thinking.” One of her new roles, a recently appointed state-relations manager believes, is “to bring a corporate perspective to the priorities and judgments of the state-relations managers at major company locations.”

A petroleum executive, observing that “the various segments of our company have come to understand that it is one company and that sometimes its overall good may be at their expense,” offers this illustration: “In an oil-producing state there may be a bill to increase the severance tax. Normally the company would oppose it strongly. But this may also be a state in which we are a big gasoline marketer. A bill may also come up affecting marketing. The production and marketing people may, therefore, be at odds over priorities. The state-relations people would, perhaps, give some ground on the marketing bill in order to kill the severance tax. The marketing executive would grit his teeth but understand.”

Conflicts of interest such as these are reconciled at appropriate levels of management—occasionally at the top.

A Formal Assessment Process

A chemical company's state-relations manager says that he tries to assure the greatest possible informality in the assessment process in the interest of speedy response. In some companies, however, more or less formal and structured procedures are followed. Metropolitan Life is an illustration. As described by the company's Senior Vice President, Government and Industry Relations, Metropolitan reviews bills that are introduced in all 50 states. Copies are provided by Commerce Clearinghouse, under a contract that “errs on the side of inclusiveness” and that attempts to cover the company's interests as an insurer, an investor, a landlord, a taxpayer, an employer, and a corporate citizen. This executive says: “We can be seriously affected” in any one of these roles: Information

from insurance-industry associations in five key states and from two national groups serve as "cross checks."

A staff of three paralegals is responsible for a preliminary screening of these bills, of which there have been as many as 20,000 in recent years. Most are set aside as clearly of no concern. The rest, all judged to be potentially "important," are distributed among 14 lawyers, each of whom specializes in a particular geographical or topical area of company interest. These professionals, reviewing the bills for a second time, set aside still more that *they* do not consider to be important, and code most of the others. Some are labeled "watch," which identifies them as bills the company would like to see enacted, sometimes with amendments. Others, categorically opposed, are given the code word "object." Still others, however, may pose issues on which no company policy has yet been established. In this circumstance, the lawyers refer the bill to a company expert on the issue for an opinion. "We ask for no more comment than is essential," the government and industry relations chief says. "It may be a marginal notation like 'no problem,' or a more extended judgment on the basis of which the bill may then be coded. About one-tenth of the bills that enter the process end up in one of the two 'important' categories. Since the assessing lawyers are also state-relations lobbyists, they establish their own goals and priorities through this process.

If there is conflict between departments or segments of the organization, the Senior Vice President, Government and Industry Relations, tries to adjudicate them. Sometimes a compromise is reached: "The objecting department may quarrel only with a provision of the bill, and an agreement may be reached to seek an amendment that is acceptable to both." If no consensus develops, the whole issue is dropped.

Lobbying

On many of the issues that concern them, even companies with state-relations programs leave lobbying to business organizations, often working with them to plan and implement lobbying programs. Often, however, a company may mount an independent program—either because an important issue does not appear to affect other firms sufficiently to generate a broad business response, or because the company has more confidence in its own efforts. A pharmaceutical executive says, for example: "When a major issue arises in a state in which we have cultivated relations over a period of time, we may back away from the trade associations and act on our own—sometimes with one or two other companies or a lobbyist. We want to work with people we know to be effective."

Whether they are acting independently or in concert with others, company lobbyists seek help from a variety of sources, including the firm's immediate constituency.

As noted earlier, about half of the firms with state-relations programs report that they had sought to enlist support on state issues during the 1981-1982 legislative session from employees, and some went to retirees and stockholders. A more potent lobbying resource in many circumstances is other firms in the state, and sizable numbers of the surveyed firms say they sought help from suppliers, vendors, clients and customers. As J.C. Penney's informal committee system illustrates (pages 28 and 29), firms other than those with which a company has business relations may be drawn into the public-policy process.

Collaboration on specific issues has brought longer term rewards to some firms. As an example, a fight over a highway construction project, in which a leading employer enlisted the participation of other affected firms, had this result, according to an executive at the initiating company: "We won on the issue, but no less important, these businesses discovered each other. They are now pooling information. And they are calling public attention to their social and economic value to the state and community as 'clean' and steadily expanding businesses that are adding jobs and bringing construction to the area. A new understanding is also growing in the state legislature and the Governor's office."

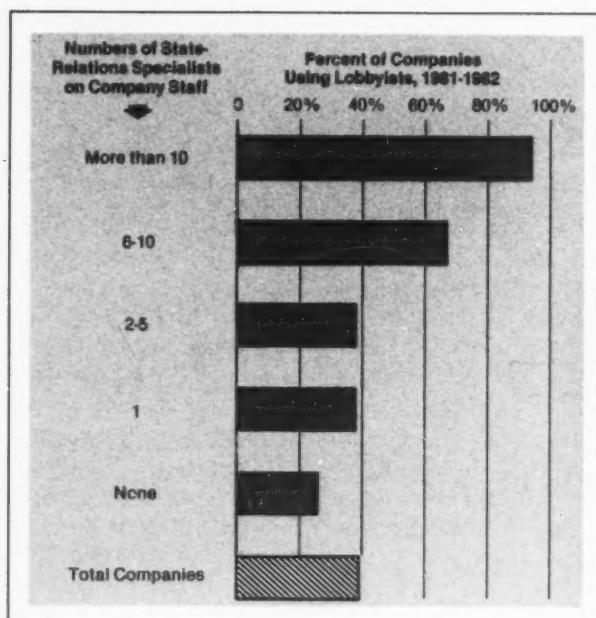
Partners in the public-policy contest are also found among nonbusiness institutions and interest groups. One company, for example, in opposing a right-to-know bill—that it believed to be unsympathetic to the business position—under consideration by a state legislative committee found an effective voice in the state university. A government-relations executive says: "The university people pointed out that the law would require them to spend \$50,000 on computer programming, for which the state legislature would have to appropriate funds, and would involve further costs, then impossible to estimate." Container Corporation, said to be the largest collector and user of waste paper in the country, has been working closely with environmentalists on the issue of paper recycling. Labor and senior-citizens' groups have also been among the less likely participants in coalitions with business.

Use of Outside Lobbyists

The various tasks of lobbying—mobilizing the support of business organizations, fashioning coalitions, negotiating positions with allies, communicating with legislators, monitoring changes in the plans of key individuals and groups, exploring bases for compromise—are performed not only by professional staff and line personnel, but often by hired lobbyists as well.

More than half of companies with state-relations programs report that they have employed lobbyists at some time. Forty-seven percent say that they did so during 1981-1982—including some who report that their

Chart 5: Use of Lobbyists, 1981-1982, by Number of State Relations Specialists



use of lobbyists has been decreasing. "As our people in the field—plant managers, principally—have gained experience and developed contacts with elected officials, less outside service has been needed," a paper executive says.

In general, however, the use of these outside specialists appears to be on the rise—increasing side by side with growth in internal company resources. As compared with 6 percent reporting a decrease, 42 percent say that their use of outside lobbyists has increased in recent years. Just over half of the firms that have employed them report no significant change in their use of lobbyists.

It is not the firms that lack state-relations personnel of their own that most often hire outside lobbyists. On the contrary, the larger the number of state-relations professionals in a company, the greater the likelihood that it will also go outside for lobbying help (Chart 5).

Bases of Employment

In about half of the companies that used them in 1981-1982, lobbyists were employed on a legislative season or annual retainer basis; in the other half, as needed on specific bills and issues.

Outside lobbyists augment company and association resources in states that are deemed particularly important, and in states in which the other resources are felt to be too meager. "California is too big and complicated for us to handle ourselves, so we have outside counsel

there on an ongoing basis," the state-relations director of a manufacturing company reports. Another state-relations executive says: "Our regional people concentrate on the most important states. Unless they have legislative counsel in the others they are going to miss everything but crisis situations."

The services expected of retained lobbyists differ widely from company to company and from state to state—and costs vary accordingly. Some contracts call for whatever lobbying may be required along with monitoring and intelligence services—in one executive's words, "maintaining a lobbying relationship with legislators whether or not there are current issues." In other arrangements, the retainer may buy monitoring services only—but with the understanding that the provider will "go on the clock" if and as lobbying services are required. One state-affairs director describes a "minimum retainer" arrangement with several lobbyists from whom no ongoing service is required. "This is an attempt to keep the good will of old friends—lobbyists who were active for us in the past," the government relations director of this company says. "I'm not sure the retainers are needed, but I know it is important to have contacts and arrangements in advance; to know people will be available when you need them."

One surveyed company volunteered the information that its annual costs per state range between \$5,000 and \$100,000. Others mentioned costs for particular states that were within that range, although a few were well below its lower end.

Lobbyists are hired on an as-needed or case basis where companies lack the resources to deal with important issues. Most firms stress that such ad hoc use of lobbyists is "a last resort," employed "sparingly," "when an issue is critical," a "situation cannot be controlled and no other resources are available." In some circumstances, too, several companies may employ legislative counsel jointly.

Choosing Lobbyists

Contacts, knowledge, energy, skill, persuasiveness in communication, and loyalty are what companies say they seek in lobbyists. And a degree of choice is reported to be available in most states.

One state lobbyist judges, however, that only three to five in each state capitol are "really excellent." The others, he says, are "hacks."

Choosing the proper legislative counsel (and maintaining productive relations with them) are significant criteria of state-relations performance, some suggest. An oil company executive, for example, attributes much of "a dramatic improvement" in his firm's state-relations function to a "strengthening of our representation in the states. The firms we are using are more sophisticated and have better contacts. A lot depends, too, on how much

"The Lobbying Game"

(Excerpt from an Internal Sun Company report issued by the Director of State Relations)

Lobbying—Rules of the Game

There are, within the lobbying profession, a great many practical rules that must be adhered to in order to carry on an efficient and successful lobbying effort, without hampering the lobbyist's efforts or damaging his credibility:

1. A lobbyist's only stock-in-trade is his integrity.
2. A lobbyist can never lie to a legislator or misrepresent the facts.
3. Always keep position papers short and concise. The best position paper is one that can be read while being thrown away.
4. Be loyal to your friends. If you say you are going to do something, do it. If you can't, tell them why.
5. Don't ever make a legislator or the legislature look bad.
6. Never embarrass a legislator by discussing his motives with others. If he gives a commitment that was difficult to make, keep it to yourself.
7. Don't take defeat personally. If you do, don't let it show. . . It could be damaging to your relationship with people you may need on other issues.
8. Don't confuse the legislators. Know what your position (singular) is and present it well.
9. Guard your credibility. Avoid letting your client speak with more than one voice.
10. Know your opposition point of view as well as you know your own. Set up their arguments and shoot them down, but do it like a gentleman.
11. Don't let your ego show. In a relationship between a lobbyist and a legislator there is room for only one ego. . . that's his.
12. Don't waste your time on fruitless debate with known adversaries. As the saying goes: Never try to teach a pig how to sing. . . It wastes your time and it annoys the pig.
13. Be helpful to legislators whenever you can. If you can help with a constituent problem, do it, and don't expect a quid pro quo.
14. Entertain wisely and with a purpose. Don't allow yourself to become the best free lunch in town.
15. Let yourself be seen in the right places at the right time. Don't show up only when you have an axe to grind.
16. If you are from out of state, don't expect to be welcomed with open arms. Understand your disadvantage and conduct yourself accordingly.
17. If you use company experts on lobbying visitations, always control the situation and guide the conversation. If your expert tends to talk down to legislators, get him out quickly.
18. Don't ever go it alone on an issue without first counting your friends and foes and enlisting your allies.
19. Never lobby an issue unless you know precisely what your allies have done and are doing. One unwise contact can cancel in two minutes what has taken others two months to accomplish. You will never be forgiven for it.
20. Know your legislators well and lobby each one according to his likes and dislikes. Know the "hot buttons."
21. Don't use the constitution as your chief defense. Legislators test constitutionality. . . courts decide it.
22. Don't threaten legislators with federal preemption. Constitutional prerogatives are jealously protected.
23. Every state capital has a personality all its own. Never go out on a limb until you know exactly how the game is played.
24. Always maintain control over your grass-roots lobbying support. Some legislators invite it and appreciate it. . . others will punish you for it.
25. There can be only *one* keeper of the chits. If more than one person spends the chits, either your account becomes overdrawn, or your chit loses its value.

they care about you, and this is a matter not just of money but of personal chemistry."

Since lobbyists typically serve numerous clients, loyalty is an element stressed by many. One state-relations executive attributes what he sees as exceptional commitment to his company among its lobbyists to three factors: They have had a long-standing relationship with the company, characterized by close personal ties at the top; they have been given legal work; their association with the company, an effective and long-term prac-

itioner in the state-relations field, has helped them to get other clients.

"The best lobbyists are those who work quietly," a drug company executive says. "They do their work early on, developing rapport with, and the respect and trust of, the legislators. Effective lobbying is when the legislator comes to you for advice on how to accomplish certain ends. If an issue you oppose gets to the floor, it is evidence that the lobbyist hasn't done his work." (See box.)

How does a company representative go about discovering who the best lobbyists in a state are? An experienced state-relations hand says: "If he is smart, he'll go to the same places that other companies have before him. An oil company man called me the other day to ask about people. I gave him a few names and suggested other people to call. Company people advise each other. This increases the chances of getting a good person. You do yourself a favor by getting new business for a lobbyist because then he is beholden to you. Your access to him has improved."

Companies may engage lobbying services from the same capitol-based firms that furnish them with legal services, as well as from other practitioners. "We have a

fine law department," an insurance executive says, "but it can't be expected to have the knowledge we sometimes need about the law in each of the 50 states."

Among both sources are former legislators or other state officials, some once prominent. Several companies mentioned using retired employees as part-time lobbyists—one, a former state-relations regional manager of the company, another an executive retired from a different company. A state-relations executive with one of these firms sees "a perfect marriage" between the interests of retired executives in some part-time work and the need of companies for "the proper kind" of lobbying talent. "I'd use more of these people if I could find them," she says.

Appendix

Sample Job Descriptions

American Can Company

Director, State Government Relations

I. OBJECTIVE:

To further the interests of the company in its relationship with state and local governments by anticipating or causing significant developments in legislation, informing senior management of such developments, planning and executing appropriate company initiatives in problem areas, and building a network of relationships with legislators and staffs, trade associations, and state government-relations professionals in other companies.

II. MAJOR FUNCTIONS AND RESPONSIBILITIES:

1. Represent the company in matters related to state and local legislation that would have an effect on markets or profits.
 2. Monitor and analyze current and prospective developments in legislation making preliminary judgments regarding the likelihood of enactment of the measure.
 3. Advise and recommend the company's position on legislative issues.
 4. Develop and direct programs that will provide government officials with information on current pending legislative issues that will declare the corporate position.
 5. Publish and distribute, to business units and organizations of and associated with the corporation, information on pending or proposed legislative issues, the company's position, and suggested appropriate action.
 6. Develop, recommend and implement programs designed to position the company in the legislative activities of trade associations or state industry coalitions.
-

Cities Service Oil and Gas Corporation

Manager, State Government Affairs

Reports to: Director, Government and Industry Affairs

Directly Supervises: One Coordinator, State Government Affairs and one secretary

MAJOR DUTIES AND RESPONSIBILITIES:

- (1) Supervises the company's participation in political and legislative issues at the local- and state-government levels.
- (2) Collaborates in developing and monitoring legislative agenda as it relates to the company's business and political objectives.
- (3) Collaborates in planning and coordinating state grass-roots lobbying effort in support of the company's objectives.
- (4) Serves as corporate representative before state legislatures and commissions to communicate corporate position or provide essential information.
- (5) Supervises the company's participation with allied industry groups to maximize the efficient use of resources in protecting the company's legitimate business interest at the state and local levels.

Honeywell Inc.

Director, State Government Affairs

Department: Public Affairs

Reports to: Vice President, Public Affairs

POSITION PURPOSE:

This position is responsible for developing and maintaining personal relationships with influential members of state, county and city governments, and business and trade association members; for furthering and protecting the interest of Honeywell in its relationship with all levels of state and local government, for informing senior management of the development and potential impacts of legislation; and for policy planning and executing appropriate company initiatives in significant impact and problem areas.

DIMENSIONS:

Annual Corporation Sales:	\$5.5 billion
Personnel	2

NATURE AND SCOPE:

This position reports to the Vice President, Public Affairs, as do the Director of Legislative Analysis and Planning, Director of Community Relations, and the Director of Federal Affairs. Reporting to this position is the Manager, State Government Relations.

The Public Affairs Department exists to establish and maintain a favorable position in the economic, social and community environment in which Honeywell participates. The Director of State Affairs contributes to promoting Honeywell's interests in state, county and local legislative and regulatory areas. The position operates in the home state where the company has the largest single concentration of Honeywell employees (16,000 +). As a result, the incumbent has considerable influence with the legislative and regulatory authorities to further the interests of Honeywell in the community.

The incumbent monitors all legislation introduced in the Minnesota House and Senate plus other key states, identifies and reviews those proposals that may have an impact on the company, and refers those he considers important to any appropriate corporate department (Tax, Employee Relations, etc.) or divisional management for comment and recommended action.

The incumbent assists departments in performing a timely in-company analysis of proposed legislation by aiding in the isolation of key elements and in developing a company position with respect to the issue. The incumbent plans and executes those actions determined necessary to work for the amendment, passage, or defeat, of legislation on which the company has taken a position. This involves establishing effective communications and working relations with legislators, executive branch officials, and various nongovernmental organizations or representatives, as well as detailed research and skillful negotiations. The incumbent promotes Honeywell positions to policy committees in organizations such as the National Tax Association and the State Governmental Affairs Council, Public Affairs Council, and state commerce associations.

The incumbent assists in accomplishing sales objectives by making contact with governmental agencies and by arranging for the distribution of information on Honeywell products to these agencies. Upon request, the incumbent counsels and acts as a liaison for locations that are experiencing problems with local, county or state governments. To promote and advance general community relations, the incumbent participates in various community-affairs activities and projects.

In discharging the responsibilities of this position, the incumbent directs the efforts of the Manager, State Government Relations, who monitors state county and local legislative activities, plus developments in other key states, and provides relevant information of legislative developments that are significant to Honeywell's business and community interests.

The two most significant challenges the incumbent faces are: (1) obtaining information on a public issue or problem in time to formulate a position with affected departments or take appropriate action; and (2) establishing and maintaining a good working relationship with Minnesota public officials and administrators. In legislation, timing is very important. Delays in obtaining information hinder progress in achieving the company's legislative goals. Therefore, it is important to establish rapport with government administrators and to have access to valuable information.

The incumbent meets frequently with the Vice President of Employee Relations, Vice President of Taxes, Vice President and General Counsel, and the directors of Administrative Services and Real Estate and Construction. Generally, the purpose for such meetings is to establish policy and obtain comment on legislation. The incumbent also has occasional contact with other corporate officers and managers, location managers, and directors, managers and salesmen of regional and branch sales offices to keep them posted on public matters and to provide them, as requested, with counsel and assistance.

To gather information and to communicate Honeywell's position on various public issues, the incumbent interfaces with state, county and city officials, administrators, and civic organization representatives. The incumbent meets with persons such as the Governor, state senators, state representatives, city mayors, and the staffs of these officials.

The incumbent is a member of the statewide taxpayers association, the principal chambers of commerce from the two major cities, the legislative committee of the state chamber of commerce, plus the tax committee of the state chamber and taxpayers association. He attends various conferences to establish communications and to promote company positions. To promote Honeywell as an effective member of the community and to advance general community betterment, the incumbent assists local improvement groups, including the company neighborhood-improvement program.

PRINCIPAL ACCOUNTABILITIES:

1. Identify and assess proposed legislation and regulations that may have an impact on Honeywell to insure that company officers and managers are adequately informed on these issues; and consult with them on company policy and positions.
2. Supervise and direct research on legislation and regulations to certify the completeness and accuracy of data used for developing and communicating the company's position regarding these proposals.
3. Establish and maintain close working relationships with state, county and city elected officials, executive officers, administrators, and various nongovernmental organizations and representatives to assure the company of an effective means of communicating its position with respect to legislation and regulations, and the ability to be adequately informed on public matters.
4. Develop and recommend policy support for and participate in various civic, social and business organizations and activities to achieve and promote Honeywell objectives with respect to company and employee involvement in state and local governmental affairs.
5. Develop and initiate information programs for Honeywell's Minnesota sales people to assist them in achieving their governmental business sales objectives.
6. Extend counsel and staff assistance to Minnesota locations that encounter problems with local, county or state agencies to insure that the company's interests are effectively represented and good working relations with these agencies are maintained.

Jack Eckerd Corporation

Director of State Government Relations

FUNCTION:

Represent the interests of the company with state governments by identifying significant legislative and regulatory developments and coordinate programs which enhance the company's ability to effectively work with state government, trade and business organizations and the public.

RESPONSIBILITY:

- (1) Identifies, monitors and analyzes state legislation and regulations which have an impact upon the company's activities, informs appropriate management personnel, and recommends course of action to management.
- (2) Represents company's position before governmental bodies, agencies and business organizations.
- (3) Coordinates programs to improve the company's relations with state governmental officials, business organizations, and the public.
- (4) Coordinates contact with the state legislators, regulatory officials, and industry trade executives.
- (5) Assists in the administration and operation of the corporate political action committee.
- (6) Coordinates communication with staff departments, subsidiaries and operating divisions to determine potential areas for governmental relations action and, to monitor awareness of governmental actions having an impact on the company.

AUTHORITY:

Coordinates state governmental activities with appropriate corporate departments and operations. Represents company position before trade, business and governmental bodies.

ACCOUNTABILITY:

- (1) Advise company management of significant issues in state government and represent the company with government bodies.
- (2) Coordinate internal and external programs that enhance the effectiveness of the corporate governmental affairs function.

REPORTABILITY:

Reports directly to the Vice President of Public Affairs.

McDermott, Inc.

Manager, State Government Affairs

Department: Government Operations, Washington Office

Reports to: Vice President, Government Operations

MAJOR RESPONSIBILITIES:

Under direction of the Vice President, Government Operations, assists in establishing and maintaining two-way communications with state and national governmental departments and agencies on programs in which the company has interest. Assists and coordinates activities of state-government coordinators concerning state and local legislative and regulatory matters. Handles special assignments for the Vice President and takes action with respect to day-to-day operations of the Washington Office within the limits of responsibility given to him.

REPRESENTATIVE RESPONSIBILITIES:

Assists in conducting the functions of the Washington office by performing the following specific tasks;

- Provide support for the company energy program at national state and local levels.
- In cooperation with state coordinators, monitor state and local government activity, including pending legislation and proposed administration of existing legislation, to the end of alerting management to matters of concern and of recommending the direction and approach of any planned action.
- Assist and coordinate the company's political action committee solicitation process.
- Organize and administer a company grass-roots program, and assist in originating communications to state and federal officials, when authorized.
- Summarize significant state-affairs actions and submit reports as required.
- Coordinate courses of action regarding state legislative or regulatory issues in conformance with company goals and strategies as approved by the Vice President Government Operations.

EDUCATION: College graduate, advanced degree preferred.

EXPERIENCE:

Minimum of five years' experience in positions requiring judgment in contacts at executive level—preferably public officials. Public affairs background useful.

SUPERVISION: Shares direction of one secretary.
(Coordinating Responsibility: Eight Government Affairs Coordinators)

Puget Power

Manager, State Government Relations
Reports to: Director, Government Relations
Supervises: State Government Representative

FUNCTION:

Develop and coordinate a program for maintaining liaison with political and governmental officials, particularly in the state legislature, to ensure that the company has a viable economic, governmental and regulatory climate in which to operate.

DUTIES AND RESPONSIBILITIES:

As directed by Director, Government Relations, act as the sole representative and spokesperson for state legislative activities of the company, developing and maintaining liaison with state legislators, analyzing state legislative proposals of interest and concern to the company, and preparing and presenting statements of the company position to state legislative committees, as appropriate.

Secure, analyze, and provide information to management on pending state legislative bills of interest and concern.

Develop and maintain liaison with state legislative committees, including state legislative interim committees, and prepare and present testimony before these committees.

Maintain files and records of state legislative activities, and prepare and maintain various records and forms required by the company and governmental agencies.

Advise company management of the potential impact on the company of political activities of selected organizations, and political and governmental officials.

Maintain relationships with and participate in activities of political, governmental, and/or industry-related organizations having an impact on the company's operation; and maintain files of governmental relations information.

Review political campaign procedures, analyze results of campaigns, and maintain files of campaign results and activities.

Review industry publications and other sources of information relative to public affairs and the company's operation.

Maintain liaison with other company areas to effectively coordinate the company's efforts in areas of political and governmental relations.

Participate in community and professional activities as approved or directed by the Director, Government Relations.

Perform other duties as assigned by appropriate supervisor.

EDUCATION AND EXPERIENCE:

A Bachelor's degree in economics, political science, psychology, or business, and/or five years experience within the company as a local manager, division customer service manager, or division director. Additional experience in lieu of education may be considered.

TECHNICAL AND SPECIALIZED KNOWLEDGE:

Requires advance knowledge of legislative rules and procedures, the legislative process, and the many complex issues and influences affecting the company's future. A comprehensive knowledge of the company's activities is also required.

MANAGEMENT SKILLS:

Has direct supervisory responsibility for the State Government Representative. Requires a high degree of management skill to make major public-affairs decisions for the company.

INTERPERSONAL SKILLS AND CONTACTS:

Requires contacts with company officers, division directors, and managers in various areas of the company to gather information needed for presentations, maintaining liaison contacts, and coordinating company wide activities. Outside contacts are required with a broad range of people from heads of companies and organizations to lower level staff people, and with various legislators, legislative staff members of state, county, city and other governmental agencies, and industry and legislative consultants in carrying out the job responsibilities.

JUDGMENT AND PROBLEM SOLVING:

Most duties and responsibilities involve the creative, detailed and accurate use of information to motivate the appropriate people in carrying out the job responsibilities.

ACCOUNTABILITY:

Has direct responsibility for an operating maintenance budget. An error or mistake in judgment could result in monetary impact on the company ranging from hundreds of thousands of dollars to many millions of dollars. Is afforded a high degree of latitude in making independent judgments and a high degree of freedom to handle day-to-day responsibilities.

Ralston Purina

State Government Affairs Coordinator
Reports to: Government Affairs Staff

KEY RESULT AREAS:

Coordinate the corporate government affairs program in his respective state to insure effective relations with government, industry and community groups.

Keep corporate and local management currently informed with respect to public issues within the state which may affect the company.

Promote the company interest through input to the legislative and regulatory groups.

SCOPE DATA:

Represent the Purina Company and all of its divisions to the federal state and local government officials for the state.

PRINCIPAL FUNCTIONAL RESPONSIBILITIES:

- (1) Develop and maintain sources of information concerning proposed state legislation and regulations, and group actions within the state which may have an impact on the company.
- (2) Review and analyze proposed issues and make initial assessment of its impact upon the company, and forwarding those of significance to corporate headquarters.
- (3) Develop and maintain effective working relationship with elected federal and state representatives for both his home area and company location. Maintain the ability to communicate with these people to clarify the company's position and concerns with respect to current issues.
- (4) Develop close contact with key managers of all company facilities within the state. Establish the mechanism to solicit support from these people on pending issues.
 - (a) Each of these managers should be encouraged to become familiar with his elected federal and state representatives for both his home area and plant location.
 - (b) Maintain administrative mechanism for expediting letter-writing campaign to these officials for both federal and state issues.
- (5) Plan to coordinate effective plant facility tours for federal, state and local government representatives.
- (6) Coordinate and expedite approved political action programs for the company offices and plants.
- (7) Establish working relationships with local and statewide industry associations and allied industries providing necessary input and experience on issues affecting the company.
- (8) Stay informed on key issues which may come before the federal or state legislative bodies and understand the corporate position on these issues.

WORKING RELATIONSHIPS:

In his main function and responsibility, he reports to his immediate supervisor.

In the area of Government Affairs, he has a dotted line working relationship with the Federal and State Government Affairs staff.

QUALIFICATIONS DESIRED:

Management responsibility for a Ralston Purina facility.

REMARKS:

Must be knowledgeable of the entire corporation and represent all divisions with equal interest and enthusiasm.
Must be tactful in working with company personnel, government officials and industry groups.
